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Notices / News Releases

1.1 Notices

1.1.1 CSA Staff Notice 51-354 Report on Climate change-related Disclosure Project

CSA Staff Notice 51-354 *Report on Climate change-related Disclosure Project* is reproduced on the following separately numbered pages. Bulletin pagination resumes at the end of the Staff Notice.

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CSA/ACVM Canadian Securities Administrators Autorités canadiennes en valeurs mobilières

CSA Staff Notice 51-354
Report on Climate change-related Disclosure Project

April 5, 2018

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Introduction

Staff (**staff** or **we**) of the Canadian Securities Administrators (**CSA**) are publishing this notice to report on the findings of our project to review the disclosure by reporting issuers (**issuers**) of risks and financial impacts associated with climate change. The project included research, consultations and review of mandatory continuous disclosure (**CD**) documents, sustainability reports and other voluntary disclosures in relation to climate change-related risks, financial impacts and related governance.

Executive Summary

On March 21, 2017, the CSA announced a project to review the disclosure of risks and financial impacts to issuers associated with climate change, and the governance processes related to them (the **Project**). The objectives of the Project were:

- to assess whether current securities legislation in Canada and guidance are sufficient for issuers to determine what climate change-related disclosures they should provide,
- to better understand what climate change-related information investors need in order to make informed voting and investment decisions, and
- to see whether or not issuers are providing appropriate disclosures in this regard.

In connection with the Project, we conducted:

- research in respect of the current or proposed climate change-related regulatory disclosure requirements in selected jurisdictions outside of Canada as well as disclosure standards contained in certain voluntary frameworks related to climate change,
- a targeted review of current public disclosure practices of selected large Canadian issuers in a number of industries with respect to climate change-related information (the **Disclosure Review**),
- a voluntary and anonymous on-line survey designed to solicit feedback from a wider range of TSX-listed issuers (the **Issuer Survey**), and
- focused consultations with issuers, users and other stakeholders (the **Consultations**).

The work conducted in connection with the Project is discussed in greater detail in Part 3 of this notice.

We identified a number of key themes arising out of our work on the Project, which are discussed at length in Part 4 of this notice:

- We developed a better understanding of Canadian issuers' current disclosure practices in relation to climate change-related information. These are discussed in section 4.1 of this notice.

- We gained insight into users'[1] and issuers' perspectives on the materiality of climate change-related risks and opportunities and the associated financial impacts. A discussion of this issue is presented in section 4.2 of this notice.

- We consulted extensively with users during the Project. We sought to understand their disclosure needs, whether those needs were being met by issuers, and their suggestions for improvement. The insights gained from our Consultations with users are discussed in section 4.3 of this notice.

- We also consulted with issuers with respect to their interactions with users of climate change-related information, as well as the challenges involved in identifying climate change-related risks and opportunities, quantifying impacts, and preparing meaningful disclosure of material information. The issuer perspectives we obtained from the Disclosure Review, the Issuer Survey and the Consultations are discussed in section 4.4 of this notice.

- Finally, section 4.5 of this notice discusses current disclosure requirements and voluntary disclosure frameworks in relation to climate change-related risks, opportunities and impacts, as well as possible future trends in their development.

Part 5 of this notice provides a brief overview of our plans for future work in this area, both in the near-term and on an ongoing basis. Briefly, we anticipate such work to include the following:

- developing guidance and educational initiatives which are useful to issuers across a wide range of industries with respect to the business risks and opportunities and potential financial impacts of climate change,

- considering new disclosure requirements regarding corporate governance in relation to business risks, including climate change-related risks, and risk oversight and management,

- monitoring the quality of issuers' disclosure and the evolution of best disclosure practices in this area, to assess whether further work needs to be done to ensure that Canadian issuers' disclosure continues to develop and improve, and whether investors require additional types of climate change-related disclosure to make investment and voting decisions, and

- monitoring developments in reporting frameworks, evolving disclosure practices and investors' need for additional types of climate change-related disclosure to make investment and voting decisions, including whether disclosure requirements in relation to Scope 1 and Scope 2 greenhouse gas (**GHG**) emissions are warranted in the future.

Appendix "A" contains a glossary of defined terms and abbreviations which appear throughout this notice.

1. Substance and Purpose

1.1 Purpose of notice

The focus on climate change-related issues in Canada and internationally has grown rapidly in recent years. Various stakeholders are seeking improved disclosure on the material risks, opportunities, financial impacts and governance processes related to climate change. There has also been a proliferation of

[1] In this notice we define "users" to include institutional investors, investor advocates, experts, academics**,** credit rating agencies and analysts.

voluntary disclosure frameworks that focus on climate change-related issues, including the Final Report - Recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (**TCFD Recommendations**) in June 2017. Lastly, the regulatory environment is changing, as evidenced by the pan-Canadian framework on clean growth and climate change and the Canadian federal government's commitment under the Paris Agreement to reduce GHG emissions, including by 30 per cent below 2005 levels by 2030.

As a result of the growing interest and concern in this area, the CSA announced the Project on March 21, 2017.[2] The Project was focused on climate change-related risks and opportunities that impact an issuer and its business, as opposed to the impact an issuer has or may have on climate change. As a result, climate change-related risks and opportunities are not viewed as an industry-specific issue, but rather as a category of risks and opportunities affecting issuers across a wide range of industries.

The objectives of the Project were:

- to assess whether current securities legislation in Canada and guidance are sufficient for issuers to determine what climate change-related disclosures they should provide,
- to better understand what climate change-related information investors need in order to make informed voting and investment decisions, and
- to see whether or not issuers are providing appropriate disclosures in this regard.

This notice provides an overview of the findings of the Project and also sets out the CSA's plans for further work in this area.

1.2 Structure of notice

This notice is structured as follows:

In Part 2, we provide an overview of the current disclosure requirements under securities legislation in Canada and previously issued guidance.

In Part 3, we discuss the work that has been completed in connection with the Project.

In Part 4, we set out the key themes that we have identified from the Project.

In Part 5, we outline the proposed direction of future CSA work in this area.

2. Overview of Disclosure Requirements

Current securities legislation in Canada requires disclosure of certain climate change-related information in an issuer's regulatory filings, if such information is material. As discussed in CSA Staff Notice 51-333 *Environmental Reporting Guidance* (**SN 51-333**), which was published on October 27, 2010, a number of disclosure requirements relating to environmental matters are found in the principal rules governing CD, including National Instrument 51-102 *Continuous Disclosure Obligations* (**NI 51-102**), National Instrument 58-101 *Disclosure of Corporate Governance Practices* (**NI 58-101**), National Instrument 52-110 *Audit Committees* (**NI 52-110**) and National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* (**NI 52-109**). Furthermore, guidance on corporate governance practices is provided in National Policy 58-201 *Corporate Governance Guidelines* (**NP 58-201**).

[2] https://www.securities-administrators.ca/aboutcsa.aspx?id=1567

The following is a brief summary of requirements pertaining to the disclosure of climate change-related risks and risk management and oversight, as well as guidance on materiality as a determining factor for whether a particular climate change-related matter requires disclosure.

This summary is primarily derived from existing guidance in SN 51-333. It is not intended to provide legal advice and is not an exhaustive overview of issuers' disclosure obligations in relation to climate change-related information. Issuers are encouraged to review SN 51-333, and should refer to applicable securities legislation to assess their respective climate change-related disclosure obligations.

2.1 Climate change-related risks

Item 5.2 of Form 51-102F2 *Annual Information Form* (**Form 51-102F2**) requires an issuer to disclose, in its AIF, risk factors relating to it and its business that would be most likely to influence an investor's decision to purchase the issuer's securities. Accordingly, any climate change-related risks that are determined to be material to the issuer must be disclosed pursuant to this item. Moreover, item 1.4(g) of Form 51-102F1 *Management's Discussion & Analysis* (**Form 51-102F1**) requires an issuer to discuss, in its MD&A, its analysis of its operations for the most recently completed financial year, including commitments, events, risks or uncertainties that it reasonably believes will materially affect its future performance.

The following chart highlights some of the potential climate change-related risks and impacts (including examples of specific financial impacts that may result from climate change-related risks), the materiality of which should be considered by an issuer:

Risks	Impact	Financial Impact
Physical		
• Changing weather patterns • Water availability and quality	• Asset damage • Health and safety • Operational disruptions • Transportation interruptions • Restriction of licenses, availability and use	• Asset write-offs • Capital expenditures • Increased costs • Reduced revenues
Regulatory		
• Current/changing regulations	• Compliance • Impact on market demand • Restriction of licenses, availability and use • Market restrictions	• Increased costs • Capital expenditures • Reduced revenues • Asset valuations • Early retirement or write-offs
Reputational		
• Employees' and investors' attitudes • Regulatory violations	• Reduced availability of capital • Litigation/penalties • Reduced demand for goods/services	• Asset write-offs • Increased costs • Reduced revenues

Business Model		
• Changes in demands for products/services • Renewable energy • Energy efficient products	• Lower demand • Higher costs for transition	• Lower revenues • Increased costs • Higher cost of capital/limited access to capital • Asset write-offs

2.2 Risk management and oversight

NP 58-201 and NI 52-110 establish guidelines and requirements which are intended to assist issuers in the implementation of policies and practices required for effective corporate governance and oversight over their business, including the identification and management of business risks. SN 51-333 discusses two sets of disclosure requirements that provide insight into how issuers are managing material risks: (i) disclosure of environmental policies fundamental to operations, and (ii) disclosure of board mandate and committees. SN 51-333 also highlights the three levels of oversight that issuers' disclosure is subject to.

i) Environmental policies fundamental to operations

Item 5.1(4) of Form 51-102F2 requires issuers to describe environmental policies that are fundamental to their operations and the steps taken to implement them. This requirement is an opportunity for issuers to establish appropriate policies to manage material environmental risks and is also useful to investors in providing insight into how such risks are managed.

The term "policy" should be read broadly and may include policies for climate-change related issues, sustainable development or the reduction of GHG emissions. When discussing its environmental policies, an issuer should evaluate and describe the impact that such policies may have on its operations. This discussion may include a quantification of the costs associated with these policies, where such information is reasonably available and would provide meaningful information to investors.

ii) Board mandate and committees

Section 3.4 of NP 58-201 states that an issuer's board should adopt a written mandate that explicitly acknowledges responsibility for, among other things: (i) adopting a strategic process and approving, at least annually, a strategic plan that takes into account the opportunities and risks of the business; and (ii) the identification of the principal risks of the issuer's business and ensuring the implementation of appropriate systems to manage these risks.

Pursuant to Form 58-101F1 *Corporate Governance Disclosure*, non-venture issuers are required to disclose the text of their board mandate, or if the board does not have a written mandate, to explain how they delineate roles and responsibilities. In addition, both venture and non-venture issuers are required to identify and describe the function of any standing committees (other than audit, compensation and nominating committees), which would include environmental or other committees responsible for managing climate change-related issues, and to disclose the text of the audit committee's charter. For some issuers, the audit committee may have responsibility for, among other things, environmental risk management.

Such disclosure should provide insight into:

- the development and periodic review of the issuer's risk profile,
- the integration of risk oversight and management into the issuer's strategic plan,

- the identification of significant elements of risk management, including policies and procedures to manage risk, and
- the board's assessment of the effectiveness of risk management policies and procedures, where applicable.

iii) Oversight of disclosure

Oversight systems, processes and controls are necessary to ensure that an issuer provides a meaningful discussion of material climate change-related matters in their CD documents. NI 52-110 requires an issuer's audit committee to review its financial statements and MD&A, and NI 51-102 requires the approval of same by the board of directors, although the approval of interim filings may be delegated to the audit committee. NI 52-109 requires an issuer's Chief Executive Officer and Chief Financial Officer to certify certain matters in relation to the financial statements, MD&A and, if applicable, AIF.

In fulfilling their oversight functions, audit committees, boards and certifying officers should consider, among other things, the assessment management has made regarding the materiality of climate change-related matters, and whether the disclosure made in securities regulatory filings is consistent with this assessment.

2.3 Controls and procedures

To support the review, approval and certification process discussed above, an issuer must have adequate controls and procedures in place for its disclosure of material information, including climate change-related information. The audit committee and certifying officers have key responsibilities in establishing these controls and procedures. In particular, the audit committee has responsibilities under NI 52-110 in respect of procedures in place for the review of the issuer's public disclosure of financial information extracted or derived from financial statements.

2.4 Materiality

As a general rule, materiality is the determining factor in considering whether information is required to be disclosed.[3] As provided in Form 51-102F1 and Form 51-102F2, information is likely material where a reasonable investor's decision whether or not to buy, sell or hold securities of the issuer would likely be influenced or changed if the information was omitted or misstated. Section 2.1 of SN 51-333 provides a number of guiding principles for issuers seeking to make materiality determinations, which can be briefly summarized as follows:

- there is no bright line test for materiality,
- materiality must be considered in light of all the facts available,
- the determination of materiality is a dynamic process that depends on the prevailing relevant conditions at the time of reporting,
- the time horizon of a known trend, demand, commitment, event or uncertainty may be relevant to an assessment of materiality, and

[3] We note, however, that certain disclosure requirements in Canada, including disclosure relating to corporate governance, are not subject to a materiality standard.

- where doubt exists as to the materiality of particular information, issuers are encouraged to disclose such information.

Among the various risks and opportunities considered by issuers, those related to climate change should also be assessed to determine whether they meet the materiality threshold as risks and opportunities must be disclosed in issuers' regulatory filings.

3. Work Completed

The work we have completed in connection with the Project includes:

- research in respect of the current or proposed climate change-related regulatory disclosure requirements in selected jurisdictions outside of Canada as well as disclosure standards contained in certain voluntary frameworks related to climate change,
- the Disclosure Review,
- the Issuer Survey, and
- the Consultations.

We were able to obtain valuable feedback through the Disclosure Review, Issuer Survey and Consultations. Key findings from the above-noted work are discussed in Part 4 of this notice.

3.1 Review of international disclosure requirements and voluntary frameworks

We reviewed climate change-related disclosure requirements in the securities laws of the United States, the United Kingdom and Australia. We also conducted a review and analysis in respect of the following four voluntary frameworks for sustainability reports or the voluntary disclosure of climate change-related risks and financial impacts:

- the TCFD Recommendations,
- the International Integrated Reporting Framework published by the International Integrated Reporting Council (the **IR Framework**)[4],
- the Global Standards for Sustainability Reporting published by the Global Reporting Initiative (the **GRI Framework**), and
- the Climate Risk Technical Bulletin (the **SASB Framework**) published by the Sustainability Accounting Standards Board (**SASB**).

Our research focused on the identification of areas in which current securities disclosure requirements in Canada are consistent with the requirements of these other jurisdictions and frameworks, as well as areas in which these requirements differ.

[4] For clarity, the IR Framework is a principles-based reporting framework that is not solely limited to sustainability reporting.

3.2 Disclosure Review

The following table outlines the attributes of the Disclosure Review, including the criteria for the sample of issuers selected, the documents reviewed and the topics and questions that were considered. The purpose of the Disclosure Review was to assess the extent to which material climate change-related risks, financial impacts and related governance disclosure is being provided in CD filings and voluntary reports.

In addition, we reviewed voluntary disclosure provided by the selected issuers to gain a better understanding of additional climate change-related disclosure being provided, and to assess whether potentially material information had been omitted from issuers' CD filings.

Attributes of the Disclosure Review	
Who was selected?	• 78 issuers from the S&P/TSX Composite Index. • Wide range of industries, including: finance and insurance, communications, consumer products, industrial, investment companies, mining, oil and gas, oil and gas services, pipelines, real estate, technology, transportation, environmental services and utilities. • Market Capitalization ranged from $650 million to nearly $140 billion, with the largest proportion of issuers (38%) within the $1 billion to $5 billion range.
Which documents were reviewed?	• CD filings: o financial statements, MD&As, AIFs, and information circulars. • Voluntary disclosures: o issuers' websites, sustainability reports and other voluntary reports/presentations, public surveys, etc.
What types of topics/questions were considered?	• Nature and extent of climate change-related disclosure: o What types of information did issuers include in CD filings? o What information did issuers include in voluntary disclosure? o Did issuers disclose their governance and risk management processes related to climate change-related risks and impacts? • Current disclosure practices: o We reviewed issuers' climate change-related disclosure in relation to existing disclosure requirements under securities legislation in Canada. o We reviewed issuers' voluntary disclosure for potentially material climate change-related information which was omitted from their CD filings.
Comment Letters	• Two jurisdictions issued comment letters to issuers seeking clarification on specific issues in relation to the topics and

	questions listed above.

3.3 Stakeholder outreach

i) Issuer Survey

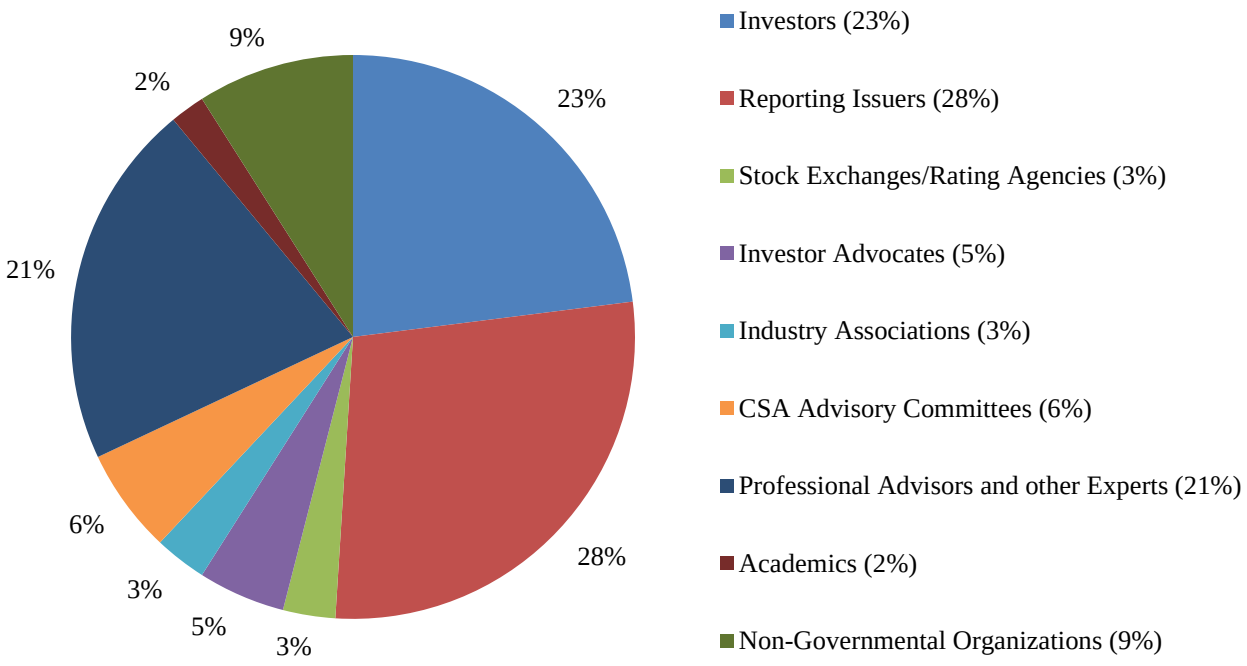
All TSX-listed issuers were invited to complete the Issuer Survey. The Issuer Survey was an anonymous survey intended to solicit candid responses from a broad population of issuers. We received responses from 97 TSX-listed issuers representing a cross-section of sizes and industries. The following table highlights the key features of the Issuer Survey:

Key Features of the Issuer Survey	
Market Capitalization	• Ranged from under $25 million to over $1 billion. • Largest group of respondents (45%) was over $1 billion.
Industry	• 13 industries (plus "other") represented. • Top four industries by number of respondents: mining (24%), oil and gas (19%), and finance/insurance and industrial (each, 8%).
Topics Covered	• Issuers' current climate change-related disclosure practices. • Costs and challenges associated with climate change-related disclosure. • Governance and risk oversight in respect of climate change-related risks. • Investor demand for climate change-related disclosure.

ii) Consultations

CSA staff held 50 Consultations, comprising both one-on-one and focus group consultations with a wide range of stakeholders, a significant portion being issuers and users of disclosure, as illustrated below:

Who Did We Consult?



The Consultations were intended to allow staff to obtain information from stakeholders on a wide range of topics such as the following:

Topics Addressed in the Consultations	
Users	• We discussed users' current and future demands for climate change-related disclosure. • We sought users' views with respect to the adequacy of current climate change-related disclosure for their investment and voting decisions. • Users provided insight into which types of climate change-related disclosure are material to them and decision-useful and which are not. • We solicited users' views regarding the adequacy of current Canadian disclosure requirements and guidance in relation to the disclosure of climate change-related risks and impacts.
Issuers	• We canvassed issuers regarding current practices in relation to the voluntary and involuntary disclosure of climate change-related information in Canada and elsewhere. • Issuers identified challenges they had encountered in seeking to satisfy user demand for climate change-related disclosure. • Issuers provided insight into their governance and risk management processes in relation to climate change-related risks, and how they go about assessing the materiality of climate change-related information. • We discussed the current and anticipated costs and other regulatory burdens to issuers associated with the preparation and disclosure of climate change-

	related information.
Others	• We sought the views of legal, accounting and engineering advisors with respect to the collection and presentation of climate change-related disclosure, including the disclosure of scenario analysis and other forward-looking information. • We gained insight into current trends in relation to the disclosure of climate change-related risks and impacts from academics, consultants and others with expertise in this area.

4. Key Themes

Based on the work we have completed in connection with the Project, we have identified a number of key themes, which are discussed in more detail below.

4.1 Current disclosure practices

The following is a summary of our findings regarding the current disclosure practices of issuers with respect to climate change-related information:

Key Points

- Our Disclosure Review, which examined CD filings against existing securities disclosure requirements in Canada, did not result in any re-filings, restatements or other corrective actions being requested; however, we noted variations in disclosure practices and room for improvement in the disclosure of several issuers.
- 56% of the issuers whose disclosure we reviewed provided specific climate change-related disclosure in their MD&A and/or AIF, with the remaining issuers either providing boilerplate disclosure, or no disclosure at all. 28% of respondents to the Issuer Survey indicated that they provided climate-change related disclosure in their regulatory filings.
- More issuers provided climate change-related disclosure in their voluntary reports, with 85% of the issuers reviewed in our Disclosure Review and 32% of the respondents to the Issuer Survey providing this information in voluntary reports.
- The climate change-related risk most discussed was regulatory risk. Few of the issuers we reviewed disclosed their governance and risk management practices respecting climate change.
- To the extent that climate change-related risk was not provided in CD documents, the principal reason given by issuers was that such disclosure was not material from a Canadian securities law perspective.
- The prevalence of climate change-related disclosure increased with the size of the issuer.
- We found that climate change-related disclosure was also more common among issuers in certain industries, notably those in the oil and gas industry. Some issuers in other industries provided significantly less disclosure in respect of the implications of climate change for their business and operations, or no disclosure at all.
- Of the various voluntary disclosure frameworks used, most issuers applied the GRI Framework. The main reason cited for choosing a particular framework was that it is commonly used in the issuer's industry.

i) Climate change-related disclosure in regulatory filings and voluntary reports

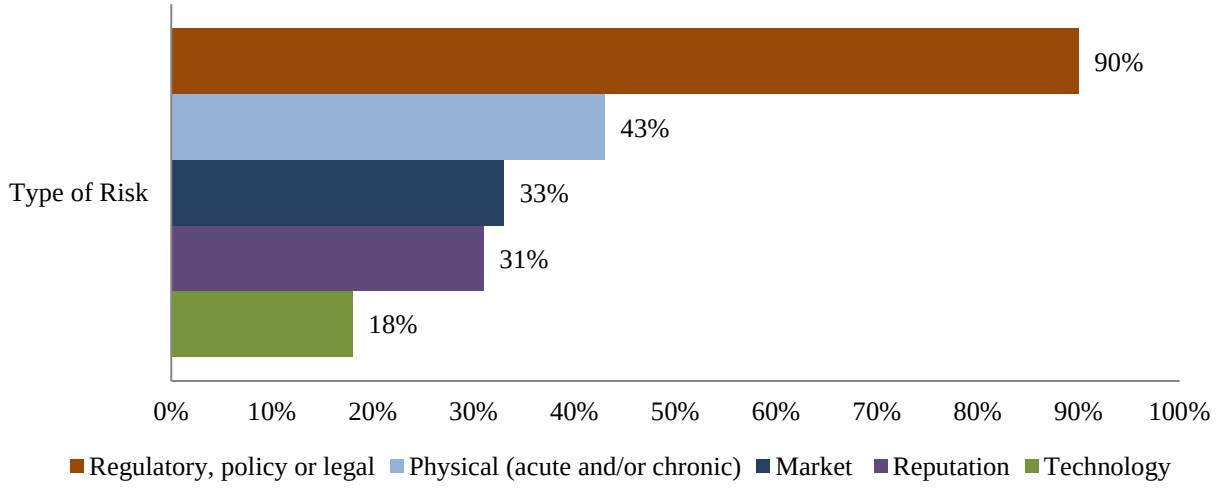
Our Disclosure Review, which examined CD filings against existing securities disclosure requirements in Canada, did not result in any re-filings, restatements or other corrective actions being requested; however, we noted variations in disclosure practices and room for improvement in the disclosure of several issuers.

Based on our Disclosure Review, the majority of issuers reviewed provided climate change-related disclosure in their regulatory filings. Specifically, 56% provided specific disclosure in their MD&A and/or their AIF, 22% provided boilerplate disclosure and 22% provided no disclosure at all. Climate change-related information disclosed in issuers' regulatory filings was lower for Issuer Survey respondents, as 28% indicated that they currently disclose climate change-related information in their regulatory filings.

Voluntary reporting of climate change-related information was higher, as 85% of the issuers reviewed in our Disclosure Review provided voluntary climate change-related disclosure. Similarly, respondents to the Issuer Survey also indicated a higher percentage of voluntary climate change-related information relative to their regulatory filings, with 32% of respondents indicating that they provide this information in voluntary filings. Specifically, 61% of issuers reviewed identified climate change-related risks in their voluntary disclosures; 90% of those issuers also disclosed how they were managing those risks.

ii) Types of climate change-related information disclosed

The following table outlines the types of climate change-related risk disclosure provided by Issuers in the Disclosure Review:



As indicated in the table above, the most prevalent risk noted was regulatory risk. The findings from our Disclosure Review were generally consistent with the results of the Issuer Survey, which identified regulatory risk as being the most commonly disclosed climate-change related risk (64%).

We also noted that the extent of disclosure was most significant in respect of regulatory risk. For example, issuers were more likely to discuss the historical or potential impact of regulatory change and policies and/or strategies to address this risk. This is consistent with the feedback from our Consultations, in which issuers advised that they considered this risk to be the most immediate (in terms of current impact) and tangible (as to actual costs and rates that issuers are incurring or expect to occur).

Based on our Disclosure Review, for those climate change-related risks that were discussed in issuers' AIFs, 41% of the risk disclosures did not address the financial impact of those risks, 34% disclosed that the impact cannot be determined at this time, 18% disclosed that the impact is not expected to be material and 7% provided specific disclosure regarding the financial impact.

Relatively few issuers explicitly disclosed climate change-related considerations in their governance disclosure. Based on our Consultations and the Issuer Survey, we understand that this responsibility generally falls under an issuer's health, safety and environment (or comparable) committee or other risk committee; however, this information was seldom articulated in regulatory filings. We noted through the Disclosure Review that a majority of issuers (55%) disclosed the existence of a board committee charged with responsibility for environmental or sustainability-related matters.

iii) Reasons for non-disclosure of climate change-related risks

Based on the results of the Disclosure Review, two jurisdictions issued comment letters to some issuers to gain insight into their reasons for not disclosing certain climate change-related risks.

The key takeaways noted from our inquiries were as follows:

- In many cases, the issuers confirmed that they had considered climate change-related risks and concluded that they did not rise to the level of materiality from a securities law perspective.

- With respect to physical climate change-related risks, some issuers concluded that based on a consideration of both quantitative and qualitative factors (the relevant conditions at the time of reporting, the probability of an event or trend occurring, and the magnitude of the impact on their business) such risks are not material. In some other responses, issuers indicated that they had addressed climate change-related risks through disclosure of broader physical or environmental risks in their CD documents. They adopted this approach because they were of the view that uncertainty exists with respect to the specific effects of climate change which prevents a reliable assessment of how, or to what extent, climate change, considered in isolation, would affect previously identified physical risks affecting the issuer's operations.

- When asked about the quantification of regulatory climate change-related risks, some issuers indicated that the current impact of existing regulations does not rise to the level of materiality from a securities law perspective. Further, they viewed changes in policy and regulatory frameworks to be uncertain, which presented challenges for issuers to predict the financial impact of these risks.

Similarly, for the 58% of respondents to the Issuer Survey that indicated they do not disclose climate change-related information, the top three reasons cited were:

1) their conclusion that climate change-related risks are not material to the issuer at this time,
2) the lack of a common framework for measuring the impacts of climate change at this time, and
3) a lack of interest on the part of stakeholders.

The materiality of climate change-related risks and opportunities was a central and reoccurring theme that arose in our Project. This is discussed further in section 4.2 of this notice.

iv) Climate change-related disclosure by issuer size and industry

In general, we found that the breadth and quality of disclosure increased as an issuer's market capitalization increased. We also found that as market capitalization increased, so did the proportion of issuers that provided climate change-related disclosure. For example, while 58% of the Issuer Survey

participants did not disclose any climate change-related information in their regulatory or voluntary disclosures, issuers with a market capitalization greater than $1 billion were more likely than not to disclose (53% reported that they disclose) versus issuers under $1 billion (of whom only 34% reported that they disclose). All of the issuers with market capitalizations greater than $25 billion, whose disclosure we reviewed as part of our Disclosure Review, provided voluntary climate change-related disclosure.

The results of our Disclosure Review also indicated that issuers in the oil and gas industry were generally more likely to include climate change-related disclosure in their regulatory filings compared to other industries, especially with respect to regulatory risks (e.g., relating to carbon taxes and cap and trade programs). Oil and gas was also the only industry[5] in which a majority of the respondents to the Issuer Survey indicated that they currently disclose climate change-related information.

v) Frameworks and GHG calculation methods

While we noted some issuers that disclosed their GHG emissions in their CD filings, we found that 73% of issuers in our Disclosure Review only disclosed emissions-related metrics in their voluntary disclosures. Similarly, the majority of issuers that participated in the Issuer Survey (86%) indicated that they disclose GHG emissions in their voluntary disclosure. This was the most common type of voluntary disclosure provided by those respondents to the Issuer Survey.

Based on the Disclosure Review, 41% of issuers did not reference a third-party framework for their voluntary climate change-related disclosure. Of the issuers that did reference a specific voluntary disclosure framework, 82% applied the GRI Framework, however, several other frameworks were also used. Consistent with the Disclosure Review, our Issuer Survey results indicated that the GRI Framework was the most widely used of the voluntary reporting frameworks (being used by 79% of the respondents that indicated that they provide voluntary disclosure). The main reason cited for choosing a particular framework was that it was commonly used in the issuer's industry. While issuers emphasized that "one size does not fit all," many issuers within the same industry tended to adopt the same framework.

We also noted that, based on our Disclosure Review, 74% of the issuers that provided voluntary climate change-related disclosure had responded to the CDP survey, of which 90% had made their response available to the public. A review of the publicly available CDP survey responses for issuers in the oil and gas industry, for example, showed that most issuers that disclose their GHG emissions used a combination of multiple calculation standards and guidance to determine their emissions. There did not appear to be a single, consistently-used standard, even within industries.

4.2 Materiality of climate change-related risk

Key Points

- As a general rule, information is required to be disclosed under securities laws in Canada if it is material. As such, the topic of materiality assumed a central role in our Consultations and the other work performed in connection with the Project.
- Users and issuers offered a wide range of perspectives on the materiality of climate change-related risks and opportunities.
- Most of the users consulted considered climate change-related risks to be a conventional business

[5] Where Issuer Survey results provide breakdowns or trends by industry, only the industries that had at least six respondents were included, as the other industries may not comprise a representative sample given their small size.

issue affecting issuers in a wide range of industries, and not solely a sustainability or environmental issue. In their view, the significance of these risks is not adequately reflected in the CD documents of Canadian issuers.
- Most of the issuers consulted acknowledged the materiality of some climate change-related information, such as risk factors and regulatory considerations, while noting that other climate change-related information is either not material, or is currently so uncertain or remote that its ultimate materiality and financial impact cannot be assessed or quantified at the present time.
- Certain users were of the view that issuers should be required to disclose whether they specifically considered climate change-related risks and opportunities in their materiality assessments.
- Uncertainty surrounding the timing and measurement of climate change-related risks presented a particular challenge for issuers with respect to assessing their materiality and, consequently, their inclusion in, or omission from, regulatory filings.

As a general rule, information is required to be disclosed under securities laws in Canada if it is material. Although securities laws in Canada do not impose specific requirements in relation to the disclosure of climate change-related information, the general requirement to disclose material information requires disclosure of the material climate change-related risks and impacts for an issuer's business in the same way that they require disclosure of other types of material information.

Through the Project, we received significant feedback from issuers, users and other stakeholders with respect to the materiality of climate change-related information. As discussed in section 4.1, when we questioned issuers about the omission of climate change-related information from disclosure, their principal explanation was that they only disclosed such information to the extent it had been determined to be material, and that other information was omitted because they concluded it was not material. On the other hand, most of the users consulted considered climate change-related risks to be a conventional business issue affecting issuers in a wide range of industries, and not solely a sustainability or environmental issue. In their view, the significance of these risks is not adequately reflected in the CD documents of Canadian issuers. This divergence of views on the materiality of climate change-related risks and opportunities was a central and recurring theme that arose throughout the Project.

During our Consultations, certain users emphasized the weight they placed on climate change-related risks in making investment and voting decisions. Some users indicated that when issuers do not disclose material climate change-related risks or a relevant discussion on the matter in their regulatory filings, they are often unsure as to whether the issuer has: (i) performed an informed analysis of the impacts of climate change and determined they are not material; or (ii) substantially overlooked climate change as a potential source of material risks to their business. As a result, these users were of the view that issuers should be required to disclose whether they specifically considered climate change-related risks and opportunities in their materiality assessments and if they concluded that such disclosure was not material, to provide disclosure to this effect. We note that a requirement to provide "negative assurance" of a specified risk would be a departure from current Canadian securities disclosure obligations, which only requires disclosure of material risks.

As noted above, based on the Issuer Survey, the most prevalent reason offered by issuers that do not disclose climate change-related information is that they are of the view that it is not material to them at this time. Through our Consultations, many issuers confirmed they have processes in place to identify and assess significant risks, including climate change-related risks. However, in their view, uncertainty with respect to the timing and measurement of climate change-related risks presented a particular challenge with respect to assessing their materiality and, consequently, their inclusion in or omission from regulatory filings. Further, many issuers stated that the extent of estimates and assumptions required to determine potential impacts associated with climate change-related risks can preclude them from having a reasonable basis for purposes of disclosure.

i) Uncertainty regarding the timing of climate change-related risks

Based on our Consultations, it is apparent that many issuers and users share the view that the timing of climate change-related risks and impacts presents a significant challenge for issuers in assessing materiality. Some users were of the view that issuers used a short-term outlook to identify and assess material climate change-related risks and opportunities, which resulted in a lack of climate change-related disclosure. Many users also viewed climate change-related risks as being likely to have a more imminent impact than some issuers currently acknowledge, citing recent examples of extreme weather events in Canada and abroad. We also noted that some issuers and their advisors tended to place greater emphasis upon risks which were expected to have a material impact on the issuer in the near term, as these impacts are more readily ascertainable and more easily quantified. Some issuers also advised that they emphasize more imminent risks in recognition of the priorities of their investor community, which may be focused on short-term rather than long-term considerations.

ii) Uncertainty regarding the measurement of climate change-related risks

Uncertainty associated with the measurement of climate change-related risks also impacted issuers' materiality assessments. For example, in the Disclosure Review, we found that while 43% of issuers specifically mentioned physical climate change-related risks in their regulatory filings, most issuers did not quantify the potential financial impact of those risks. Some issuers also noted that to the extent that they are able to identify specific potential physical and other effects of climate change, it was only possible to disclose the existence of the risk, but not to quantify it.

In our Disclosure Review, we also found that relatively few issuers quantified the impact of regulatory risks, although as noted in SN 51-333, Item 5.1(1)(k) of Form 51-102F2 requires an issuer to disclose the financial and operational effects of environmental protection requirements in the current financial year and the expected effect in future years. When questioned regarding the absence of quantified impact in their disclosures, the most common response issuers provided was that the current regulatory impact is generally not material at this point, and that there is too much uncertainty to reasonably estimate the potential impact of future regulations. This contrasted with the views of many users, who suggested that the impact could be measured, for example, with regard to national commitments under the Paris Agreement.

In certain instances, although issuers did not specifically refer to the term "climate change" in identifying risks, they nevertheless identified potential risks which may be influenced by climate change, such as extreme weather, natural disasters, and access to water, and discussed the implications of these risks for their business. When queried as to why these risks were not identified specifically as climate change-related risks, several issuers explained that these physical risks could occur (and had been identified as material risk factors) independent of any climate change-related impacts, and that attributing such risks to climate change to the exclusion of other factors was neither necessary, nor appropriate. In addition, some issuers noted that it is not yet possible to ascertain the incremental impact and materiality of risks specifically attributable to climate change, in isolation from other factors.

With respect to the other risk factors identified in relation to the issuer's market, reputation and regulations, several issuers noted that while many of these risks could be influenced or exacerbated by climate change, there are several other factors that also influence them, such as competition, market price fluctuations for inputs and outputs, and technological advancements. As many of these other factors posed more significant and immediate impacts, these issuers did not highlight climate change as a main contributor to such risks.

While some issuers appeared to lack familiarity with the risks and impacts of climate change, and the expertise to assess them, it must also be acknowledged that the precise impacts of climate change, and their magnitude and timing, are not yet certain and, in some instances, unlikely to be known for some

time. Consequently, some issuers noted that consideration of both quantitative and qualitative factors in determining materiality must, in some cases, be based upon extensive assumptions and estimates which may limit the usefulness and reliability of the resulting disclosure. They also noted that this uncertainty presents significant challenges given their need to ensure that disclosure is verifiable and has a reasonable basis in light of the potential for liability for such disclosure.

4.3 Users' perspectives

Key Points

- Substantially all of the users we consulted were dissatisfied with the current state of climate change-related disclosure, and believe that improvements are needed.
- Users consulted with were not a homogenous group and as a result, informational needs varied.
- Substantially all users were also of the view that issuers in many industries will be affected by climate change-related risks, and should provide disclosure regarding their governance and oversight of such risks.
- Some users suggested that the current disclosure requirements, supplemented by additional guidance and education, may be adequate to provide better disclosure of climate change-related risks, opportunities and impacts, while others maintained that new disclosure requirements should be imposed.
- Users' views also differed on whether issuers should be required to disclose GHG emissions and/or scenario analyses in their regulatory filings.
- Several of the users we consulted acknowledged that it may be appropriate for new disclosure requirements to apply differently to issuers based on exchange listing, size or industry.

As noted earlier, most of the users consulted considered climate change-related risks to be a conventional business issue, rather than a narrowly focused sustainability or environmental issue. We also found that substantially all users expressed general dissatisfaction with the current state of climate change-related disclosure being provided by issuers, noting that in many cases disclosure is not provided, while in other cases much of the disclosure provided is boilerplate, vague or viewed as incomplete. As a result, users were of the view that these deficiencies negatively impacted their ability to make investment and voting decisions. A number of users also found the climate change-related disclosure provided by issuers lacked clarity and consistency, which limited their ability to compare such disclosure between issuers. As a result, substantially all of the users we consulted were of the view that enhancements to improve the current state of climate change-related disclosure were needed.

We also found that the users consulted were not a homogenous group. Informational needs varied, in some cases, arising out of fiduciary duties or other obligations. For example, some investors employed long-term investment strategies and therefore required disclosure to address such needs, whereas other investors had shorter investment horizons. In other cases, users sought disclosure of GHG emissions based on commitments to measure, disclose and reduce the carbon footprint of their portfolio, whereas others noted that GHG emissions did not factor into their investment decision making. As a result, we found that while substantially all users agreed that improvements to the current state of climate change-related disclosure were needed and had generally agreed upon a number of areas of enhancements, there was also a lack of consensus in other areas, including with respect to the reporting of GHG emissions and scenario analysis.

i) Areas of consideration

Substantially all of the users consulted were of the view that climate change-related disclosure enhancements are needed. Specifically, the users consulted generally agreed that: (i) disclosure of issuers'

governance and risk management of climate change-related risks are required; (ii) issuers' directors and officers should seek further education on the nature and extent of climate change-related risks; and (iii) it would be appropriate for any new disclosure requirements to apply differently to issuers of different sizes and in different industries. On the other hand, we also found that users disagreed in other areas, specifically with respect to how disclosure of climate change-related disclosure of risks, opportunities and impacts could be improved, and whether specific mandatory disclosure requirements regarding GHG emissions and scenario analysis should be imposed.

A) Governance and risk oversight

Substantially all of the users consulted agreed that issuers in many industries will be affected by climate change-related risks, and should provide disclosure regarding their governance and oversight of such risks. Many users supported the TCFD Recommendations in this regard, which recommend disclosure on: (i) the board of directors' oversight of climate change-related risks and opportunities; (ii) management's role in assessing and managing climate change-related risks and opportunities; (iii) the process used to identify and assess climate change-related risks; and (iv) how such processes are integrated into the issuer's overall risk management process. As discussed further in section 4.5, these elements of the TCFD Recommendations are not subject to an assessment of materiality.

Based on our Consultations, the primary reasons offered by users for seeking governance and risk oversight disclosure were that:

- issuers need reliable governance and risk oversight processes in order to identify material business risks, including material climate change-related risks,

- many users were not confident that issuers have reliable processes in place to identify and manage climate change-related risks,

- in the absence of this disclosure, many users questioned whether an issuer had made an informed analysis and had correctly concluded that climate change does not pose a material risk to it, or whether the issuer substantially overlooked this risk due to lack of expertise, due diligence or otherwise, and

- some larger institutional investors were hesitant to obtain this information through engagement with issuers, due to the risk of selective disclosure in violation of securities laws.

B) Further education on climate change-related risks

The users consulted strongly emphasized that issuers' directors and officers should understand the risks, opportunities and impacts associated with climate change. Users highlighted the importance of an issuer's board of directors having an appropriate level of expertise in this area in light of the risk that climate change may present to an issuer's business, and suggested that this may not currently be present. We note that, as previously discussed, feedback to the Issuer Survey also suggested that some issuers hold a narrow understanding of the nature and extent of climate change-related risks and impacts, implying that further education in this area may be necessary. As a result, users were of the view that issuers' boards of directors and management should seek to be better informed on climate change and its implications for the issuer's business in order to properly strategize, manage and oversee its associated risks.

Users also noted that further education would assist issuers in all industries in assessing the materiality of climate change-related risks and impacts, which could lead to improvements in their disclosure of such risks and impacts in their regulatory filings.

Regarding educational resources, many users indicated that guidance focused specifically on climate change would be beneficial to issuers across a wide range of industries and their advisors. This could include, for example, a "refresh" of the guidance in SN 51-333, which currently includes guidance on disclosure of environmental matters more broadly. We note that consideration of further guidance specifically focused on climate change is discussed under Part 5 of this notice. Many users also indicated that there are other useful resources that issuers can use to better understand how they may be impacted by climate change.

C) Tailoring reporting requirements

Most users acknowledged that if new mandatory reporting requirements are implemented, it may be appropriate for such requirements to apply differently to various subsets of issuers. Users offered a number of different options in this regard, including whether an issuer is or is not a "venture issuer" (as such term is defined under NI 51-102), the issuer's market capitalization and/or particular industry.

We recognize that Canada has a unique composition of issuers with the vast majority of issuers having a relatively modest market capitalization, as compared with other countries. As such, a focused application of new disclosure requirements to a subset of issuers would need to be best suited to our market. Users suggested that staff should consider, among other things: (i) the type of disclosure required; (ii) the resources of issuers in the subset to provide this disclosure; and (iii) the consistency of the application of requirements from one reporting period to another.

D) New prescriptive requirements vs. enhanced guidance

We also had significant discussions during our Consultations on whether the disclosure on the risks, opportunities and impacts of climate change required new prescriptive requirements or guidance based on existing requirements. Many users indicated that the existing disclosure requirements supplemented by additional guidance would not be sufficient to effect a significant change in the quality of this disclosure. In particular, these users suggested that new regulatory disclosure requirements would be necessary to create any meaningful improvements. Most of the users we consulted noted that environmental matters, including climate change, are increasingly being considered by investors in their investment and voting decisions and as such, specific and clear disclosure requirements are a key means to assisting issuers in providing decision-useful information to their investors.

On the other hand, some users felt that additional guidance on climate change-related reporting would encourage a more robust approach to this disclosure and that prescriptive requirements would lead to increased boilerplate disclosure. Some users were also of the view that imposing prescriptive requirements would not be appropriate at this time, as in their view, an ideal model for climate change-related disclosure has not been established. Rather, these users felt that efforts should be focused on encouraging issuers to improve their climate change-related disclosure practices through guidance, education and other methods of engagement.

As discussed above, many users indicated that one of their key challenges is determining whether an appropriate materiality assessment with respect to climate change-related risks has been conducted by issuers. In this regard, some users suggested that instead of prescriptive disclosure requirements in all cases, a "comply or explain" approach may be appropriate. For example, this would require that issuers either disclose specific climate change-related risks, or explain why climate change does not pose a material risk to their business. We acknowledge, however, that such a requirement would entail a departure from the general approach applied to securities-related disclosure in Canada, whereby issuers are generally not required to disclose information that is not material, and may omit negative answers.

E) GHG reporting and scenario analysis

Another area where users' views differed was whether issuers should be required to disclose GHG emissions and/or scenario analyses in their regulatory filings. In this respect, staff had asked users for their input on these particular disclosure items in light of the TCFD Recommendations. The following summarizes certain users' views with respect to both types of disclosure.

GHG Reporting	
Users' view for reporting	**Users' view against reporting**
• Quantitative data inherently avoids boilerplate disclosure. • Provides a baseline, that over time, will identify broad trends, which is decision useful information. • Climate change-related risks associated with changes in regulations, the physical environment and technological developments have the potential to impact investment returns, resulting in some users making investment decisions based on the GHG efficiency of issuers. • Particularly relevant for high-emitting issuers/industries, as regulatory costs associated with GHG emissions will become more material over time. • Requirement for some users to disclose total portfolio footprint. • GHG Protocol provides an established and widely accepted methodology to allow for aggregation and comparability.	• Costly to conduct. • Collecting GHG emissions data takes away resources that are better spent elsewhere. • Usefulness of such information is still unclear. • Not a financial risk metric for some users. • Regulatory costs associated with GHG emissions are not material at this time. • Emissions data is a snapshot at a certain point of time; as such its usefulness is uncertain. • Data may be unreliable as information is generally not verified. • Scope 3 emissions, which are the most difficult to calculate and aggregate with certainty, account for a majority of all emissions.

Scenario Analysis	
Users' view for reporting	**Users' view against reporting**
• Useful across multiple sectors, especially for disclosing an issuer's strategy and its resiliency in a changing environment. • Useful tool to assist issuers in identifying their material climate change-related risks. • While difficult, development of standardized and relevant assumptions is possible, for example by industry organizations.	• Difficult to conduct – lack of experience by issuers and requires long term analysis. • Requires a significant number of assumptions and factors, and as such could allow issuers to present favourable outcomes, resulting in this disclosure being used for promotional purposes. • Generation of scenario analysis requires the application of assumptions and key factors that if undisclosed, could impact usefulness and reliability of analysis. On the other hand,

	disclosure of assumptions and key factors may divulge commercially sensitive information. • Standardized set of assumptions are required for comparability, however this inhibits incorporation of additional factors that may provide more insight into an issuer's business.

4.4 Issuers' perspectives

Key Points

- While some, principally larger, issuers are receiving requests from users for climate change-related information, a number of issuers are not being asked to provide this information at all.
- Issuers suggested it was more appropriate to report non-material climate change-related disclosure on a voluntary basis rather than in regulatory filings, and expressed concern that mandatory reporting could result in a disproportionate and potentially misleading emphasis on climate change-related risks relative to other equally or more significant risks.
- There is no consensus amongst issuers as to whether there should be a single prescribed framework for climate change-related disclosure. Many issuers are of the view that a single framework for climate change-related disclosure is inadequate to accommodate the specific circumstances of all industries and issuers, and that a "one size fits all" approach in this area will not meet the needs of issuers or investors. Several issuers expressed concerns that even if a single framework was mandated, requests by users for diverse, specific and non-material information in relation to climate change would continue.
- Many issuers identified their concerns about mandatory disclosure requirements in relation to climate change, including:
  - potential increases in the cost of compliance and regulatory burden for issuers which are disproportionate to the benefits realized by investors,
  - concerns that some of the demand for this information is driven by considerations other than investment considerations, such as mass divestment movements, and that the objectives of some users of this information may not be aligned with the interests of shareholders, and
  - limitations of current frameworks and measurement standards which are not yet fully developed.

i) Issuers have a range of perspectives on climate change-related disclosure

A) Demand for climate change-information is not consistent from issuer to issuer

It is clear that the current level of demand for climate change-related disclosure varies dramatically among issuers, often depending on the size of the issuer and the composition of its investor community. Generally speaking, the largest issuers in carbon-intensive business sectors are under significant pressure

from investors and others to provide meaningful disclosure in relation to climate change-related risks and the associated financial impacts.

While some smaller issuers are also being asked to disclose this information, a substantial number of issuers in our Consultations reported little or no demand on the part of users for this information at the present time. This was consistent with the Issuer Survey responses, where 49% of issuers indicated no demand, and 31% indicated low demand (16% moderate, 0% significant, and 4% responded they "don't know"). In some cases, issuers noted during our Consultations that the perceived lack of demand may be due to the fact that they already provide climate change-related disclosure in their voluntary filings. Some issuers speculated that the limited demand for climate change-related information might be attributable to characteristics of their investor community, such as a limited number of institutional investors, or a large number of investors principally focused on short-term results.

B) Issuers favour flexibility, as opposed to prescriptive requirements

Few issuers consulted expressed enthusiasm for the prospect of additional mandatory disclosure requirements in relation to climate change-related risks and financial impacts. However, some issuers identified potential benefits of a single disclosure regime, whether voluntary, mandatory or some combination of the two, including greater certainty with respect to the disclosures required, a "level playing field" for all issuers from a disclosure standpoint, and increased rigour in the preparation and verification of disclosure presented in mandatory filings.

Many issuers acknowledged that inconsistency in climate change-related disclosures, and the inability to perform direct comparisons on common disclosures and metrics, is an issue. These issuers suggested that providing further guidance (pointing to established voluntary frameworks, commonly used standards, etc.) for those issuers that choose to voluntarily disclose additional climate change-related information would likely be helpful. Some issuers indicated that the disclosure in CD filings tends to converge among peers, which has resulted in boilerplate disclosure over time, and that voluntary disclosure tends to be less susceptible to this trend.

Issuers indicated a strong preference for the current disclosure requirements, where information determined to be material for purposes of securities laws in Canada must be disclosed in CD filings, while additional non-material information may generally be disclosed on a voluntary basis. Many of the issuers consulted expressed interest in updated guidance from the CSA with respect to disclosure in relation to climate change-related risks and financial impacts.

A number of issuers noted that the flexibility permitted in voluntary disclosure enables them to provide readers with additional information that might not typically be included in a CD document. These issuers emphasized that context is required to make the information requested understandable. For example, year-over-year changes in GHG emissions could have a number of causes, such as changes in production, improved emissions strategies or shifts in assets. Under those circumstances, metrics taken out of context could be misleading and/or lead to inappropriate investment decisions.

In addition, several issuers and other stakeholders indicated that full comparability between the disclosure of different issuers in different industries may be difficult to achieve, even with prescribed disclosures, since some variability in the underlying data and assumptions is inevitable. Emissions metrics are prepared for different purposes and often using various methodologies.[6] Further, a multitude of differing factors and assumptions are built into emissions calculation methodologies. Comparability, even within

[6] While the GHG Protocol is widely-used globally, we found in our Disclosure Review that most issuers that disclose emissions use a combination of methodologies and guidance.

industries, may not be appropriate; for example, within the oil and gas industry, issuers have differing projects, outputs and reserves, each with varying timelines.

Other issuers indicated that they have been able to obtain a level of independent assurance over their reported GHG emissions. While this assurance does not necessarily validate the emission numbers, it highlights areas where emissions calculations are inconsistent (for example across the organization), thereby driving the issuer to work towards consistency in their calculations. One concern raised in relation to a requirement to provide assurance in respect of GHG emissions reports in CD filings is that it would be difficult to coordinate the preparation of such reports and assurance within the timelines imposed by securities filing deadlines.

Based on our consultations, some issuers were concerned that even if securities regulators recommended or imposed a single standard of measurement (for GHG emissions disclosures), issuers would still be required to report the same information, using other standards, to satisfy reporting requirements of other regulatory bodies depending on the scope and location of their operations (such as Environment Canada, provincial environmental regulators and the U.S. Environmental Protection Agency).

C) Some issuers questioned the materiality of climate change-related risks and financial impacts

Several issuers expressed doubts regarding the materiality of climate change-related risks and financial impacts to their businesses. A number of issuers advised us that they had considered climate change-related risks and financial impacts, and determined that while some of these impacts, such as the impact of carbon taxes and other carbon pricing schemes, were both known and quantifiable, they were simply not considered to be material to the issuer or its investors based on the standard of materiality prescribed by securities laws in Canada.

In a few instances, issuers indicated that they do not disclose climate change-related information because they are not significant emitters of GHG or otherwise contributing to the underlying causes of man-made climate change. This suggests an incomplete understanding on the part of some issuers and other stakeholders of the implications of climate change-related risks and financial impacts, which may affect issuers' businesses irrespective of the carbon intensity of their own operations. For example, retailers and service providers in communities which are heavily reliant on carbon intensive industries for employment may be significantly impacted by the gradual transition towards a lower carbon economy, even though their own operations do not produce significant emissions. In addition, issuers may be impacted by the physical effects of climate change, based simply on their geographic location, rather than their GHG emissions levels.

D) Undue emphasis on climate change may detract from other environmental risks and impacts

Several issuers we consulted advised us that they have established risk management processes that consider risks and impacts of climate change along with a wide range of other environmental risks and that the preparation of disclosure providing investors with insight into these processes would not be burdensome. Some of these issuers noted that the widespread public attention being paid to climate change may over-emphasize the risks and impacts of climate change as compared with other risks (environmental or otherwise), which may be more material to an issuer's business from a financial standpoint. These issuers also questioned whether an approach to disclosure that singled out climate change-related risks and impacts for disclosure, among many other environmental risks and impacts, could be reconciled with the general requirement under securities laws in Canada that risks be presented in order of their seriousness to the issuer, from the most serious to the least serious.

E) Issuers have concerns about the motivations underlying some stakeholder demands

Our Consultations revealed increasing issuer frustration with some of the demands of stakeholders for information on climate change-related topics. While some of the larger users seek information related to issuers' risk management and the resilience of their business strategy to the effects of climate change, a number of issuers reported that the climate change-related information they were being asked to provide was frequently "granular" in nature, and that in many cases, only a small fraction of the information requested was actually decision useful for investors in relation to investment and voting decisions. In other cases, results from our Consultations indicated that the issuer would like to better understand what climate change-related information investors are seeking and how it is used in their investment-decision making process.

Several issuers indicated that their responsiveness to demands for disclosure depended on their perception of the use to which the disclosure would be put (and its resulting value to the issuer and its investors). These issuers advised us that while they are very willing to accommodate requests for information from investors or analysts, they are less willing to expend resources on inquiries from stakeholders who appear to be pursuing an agenda that diverges from that of a reasonable investor focused on a financial return on investment. There is some concern among issuers that the motivations underlying some of these requests is not aligned with the interests of investors, and that the additional disclosure being requested will be used in litigation, resulting in negative impacts on the reputations of issuers or in furtherance of mass divestment campaigns directed at carbon-intensive industries.

ii) Challenges of providing climate change-related disclosure

A) ***Additional costs and regulatory burden of mandatory climate change-related disclosure***

A number of issuers we consulted expressed an interest in additional regulatory guidance or educational opportunities with respect to climate change-related risks and financial impacts and expressed concerns about the potential costs and new regulatory burdens that would accompany new rules prescribing mandatory disclosure of climate change-related information. A number of larger issuers that currently produce sustainability reports on a voluntary basis noted the significant cost and personnel committed to their preparation, and suggested that a comparable commitment would represent a very significant new burden for many smaller issuers. Some issuers noted that the imposition of extensive mandatory climate change-related disclosures could result in a cost structure that would be impossible for some smaller issuers to sustain.

Specifically, with respect to disclosing metrics such as GHG emissions, issuers indicated that in their view there is currently a lack of consistency in their calculation, complexities inherent in their preparation and the potential need for outside assurance expertise. Issuers viewed these as factors that could significantly increase regulatory burden. As a result, several issuers doubted whether the benefits of providing this disclosure justified the costs of obtaining it.

Several issuers suggested that the imposition of new disclosure obligations would discourage issuers from entering, or continuing to participate in, the Canadian public markets. They noted that this may also lead to a decrease in the competitiveness of Canadian issuers compared to peers in jurisdictions without comparable mandatory requirements.

B) ***Continually shifting and uncertain regulatory landscape***

Several issuers in carbon-intensive industries stated that, in their view, the current regulatory landscape in Canada with respect to GHG emissions is unsettled. Further, climate change more generally represents a significant challenge to issuers seeking to identify and disclose material climate change-related risks and financial impacts. We acknowledge the challenge presented by this issue. We note however, that issuers

are frequently confronted by a complex array of uncertainties that they must take into account when formulating their business strategies and disclosing risk factors and other information.

C) ***Forward-looking information***

Some of the issuers we consulted indicated that the additional climate change-related disclosures that are being requested (and recommended in certain voluntary frameworks) consist of forward-looking information (**FLI**). Further, some issuers noted that in some cases this FLI is of a nature and extent which would be difficult to accommodate under existing securities laws in Canada.

NI 51-102 includes detailed requirements in Parts 4A and 4B with respect to the disclosure of FLI and financial outlooks (which would likely apply to projected impact of climate change-related issues, scenario analysis, etc.), which applies to both mandatory and voluntary disclosure. In order to disclose a financial outlook, the information must be based on reasonable assumptions and limited to a time period for which the information can be reasonably estimated. Several issuers that were consulted indicated they would not be able to meet this standard for some of the disclosures that were being suggested in relation to climate change-related risks and opportunities, given the level of uncertainty and subjectivity associated with climate change, and the lengthy time frame over which some of its effects are likely to develop.

D) ***Some issuers lack expertise with respect to climate change and the associated risks and financial impacts***

A significant number of issuers we consulted indicated that they currently include risks arising from the effects of climate change, and the regulatory, policy and other efforts taken to mitigate it, into their ongoing risk management activities. Some larger Canadian issuers have stated that they have significant in-house expertise in this area. While these issuers typically describe their governance and risk management activities in their CD filings, they noted that their disclosure seldom singles out climate change-related risks for extensive additional disclosure, above and beyond their general environmental risk management disclosure that is intended to cover both climate change and other environmental topics.

Other issuers acknowledged challenges with respect to the disclosure of climate change-related information due to a lack of institutional expertise concerning the implications of climate change for their business. In a number of instances, these issuers indicated that they were developing this expertise, and that they expected their disclosure practices to improve with the acquisition of greater expertise over time. We also consulted with issuers that expressed a reluctance to break new ground in this area, preferring to monitor and remain aligned with standard disclosure practices within their identified peer group.

4.5 Current disclosure requirements and frameworks and potential future trends

Key Points

- We found that the securities laws of the United States take a similar approach to securities laws in Canada, in that they do not prescribe explicit disclosure requirements in relation to climate change-related information. By contrast, certain other jurisdictions have imposed specific mandatory climate change-related disclosure requirements.
- There are presently a number of frameworks for voluntary corporate sustainability reporting that are relevant to the disclosure of risks and impacts associated with climate change. Some sustainability reporting frameworks are comprehensive, contemplating the disclosure of information on a wide range of sustainability topics, including climate change-related topics among many others. Other frameworks are more narrowly focused on risks and financial impacts associated with climate change.

- As the disclosure of climate change-related risks and financial impacts matures and becomes more prevalent, staff believe a gradual convergence in disclosure practices is likely.
- The earliest evidence of this convergence is being seen in voluntary disclosure frameworks, where the TCFD Recommendations seem likely to influence the future development of other voluntary frameworks.
- Ultimately, this process may be driven primarily by the demands of investors and the resulting incentives for issuers to meet those demands.
- While a convergence in climate change-related disclosure practices may offer a number of benefits for issuers and investors, a monolithic and inflexible approach to this disclosure may be accompanied by a reduction in the usefulness of this disclosure and other drawbacks.

4.5.1 Current disclosure requirements and voluntary frameworks

In connection with the Project, we reviewed climate change-related disclosure requirements in a number of other countries, as well as a number of prominent voluntary disclosure frameworks.

i) International climate change-related disclosure requirements

In connection with the Project, we reviewed the environmental reporting requirements of other jurisdictions as they relate to the disclosure of risks and financial impacts associated with climate change.

We found that the securities laws of the United States take a similar approach to securities laws in Canada, in that they do not prescribe specific disclosure requirements in relation to climate change-related information. By contrast, certain other jurisdictions have imposed specific mandatory climate change-related disclosure requirements. For example, in the United Kingdom, quoted companies (as defined by the *Companies Act 2006*[7]) are required to disclose the annual quantity of GHG emissions for which they are responsible (or where it is not practical to obtain any or all this information, to state what information is omitted and provide reasons why) and to report on environmental matters to the extent it is necessary for an understanding of the company's business within their annual reports. In Australia, recommendations from the Australian Securities Exchange (the **ASX**) provide that companies listed on the ASX should disclose whether they have any material exposure to economic, environmental and social sustainability risks and, if so, how they manage or intend to manage those risks.

Issuers or their equivalent in all of the jurisdictions whose requirements we reviewed are required to disclose material risks, which may include climate change-related risks or other environmental risks. The definition of materiality is generally consistent across all jurisdictions. Information is material if there is a substantial likelihood that a reasonable investor would consider the information important to an investment decision.

Similarly, an issuer's filings are subject to internal review and approval in all jurisdictions. As in Canada, United States securities laws also impose CEO and CFO certification requirements. The review, approval and certification process is expected to ensure that material climate change-related information is considered, along with any other information material to an issuer's business.

[7] 2006 (U.K.), c.46.

ii) Voluntary disclosure frameworks

There are presently a number of frameworks for voluntary corporate sustainability reporting that are relevant to the disclosure of risks and impacts associated with climate change. These frameworks fall within two general categories:

1. comprehensive frameworks for the disclosure of information on a wide range of sustainability topics, including climate change-related topics among many others, and

2. frameworks more narrowly focused on risks and financial impacts associated with climate change.

Our research in connection with the Project focused on four of these frameworks: the IR Framework and the GRI Framework, both of which are disclosure frameworks of the former type, and the SASB Framework and TCFD Recommendations, which are climate change-related disclosure frameworks of the latter type.

In addition to these frameworks, at least one organization, CDP (formerly, the Carbon Disclosure Project), conducts an extensive voluntary survey of issuers on an annual basis. The CDP survey seeks detailed quantitative and qualitative information from issuers with respect to a wide range of climate change-related matters. Information collected through the survey is publicly disclosed (for most issuers who respond), along with the names of issuers that have chosen not to participate.

While the general disclosure guidelines contained in these frameworks overlap in a number of areas, they differ in detail, such as the specific metrics and qualitative disclosures they prescribe. More significantly, some of the frameworks are intended to serve a much wider range of stakeholders than investors, and adopt a concept of materiality that differs significantly from the materiality standard contemplated by Canadian securities laws.

A) Sustainability disclosure frameworks

The sustainability disclosure frameworks we reviewed require reporting organizations to adopt an approach to disclosure that differs significantly from the model on which the regulatory disclosure regime in Canada is based.

For example, under the IR Framework, stakeholders are broadly defined to include investors, creditors, governments, regulators, non-governmental organizations, employees, environmental groups, customers, suppliers, policy makers and others. Materiality under the IR Framework is judged in relation to increases and decreases in “capitals”, which include financial capital, manufactured capital, intellectual capital, human capital, social and relationship capital and natural capital.

Similarly, the GRI Framework also contemplates a broad stakeholder group, which includes any entity or individual that can reasonably be expected to be significantly affected by the reporting entity’s activities. Material topics, for purposes of a sustainability report conforming to the GRI Framework, include the reporting entity’s significant economic, environmental and social impacts, as well as topics that substantively influence the assessments and decisions of stakeholders.

B) Climate change-related disclosure frameworks

The SASB Framework and the TCFD Recommendations bear greater similarity to the disclosure model under securities laws in Canada in terms of their target audience and standard of materiality, however they differ in that they prescribe much more specific quantitative and qualitative disclosure requirements in respect of climate change-related risks and financial impacts.

The SASB Framework is intended to provide industry by industry guidance for issuers to measure, manage and report performance on critical dimensions of climate risk that SASB considers material to investors. This guidance includes quantitative metrics and qualitative disclosure requirements that are much more specific and detailed than the more general requirements of the CD regime in Canada, as summarized in SN 51-333. Materiality is defined to include only those climate change-related impacts that are reasonably likely to affect the financial performance or operating condition of a company and, therefore, to affect shareholder value. While not identical, this standard is similar to the one imposed on reporting issuers by securities laws in Canada.

Climate change-related disclosure under the TCFD Recommendations is targeted at issuers, but also a broader range of organizations. While the disclosures recommended in the TCFD Recommendations in relation to strategy, metrics and targets require an assessment of materiality that is to be determined in a manner consistent with that of other risks in an organization's regulatory filings, the TCFD recommends that other information in respect of governance and risk management processes in relation to climate change-related risks and opportunities be disclosed irrespective of its materiality.

C) TCFD Recommendations compared with current requirements in Canada

There are similarities between some of the TCFD Recommendations and the requirements of Canadian securities laws, as summarized in SN 51-333, as well as a number of significant differences.

While the TCFD Recommendations in relation to governance and risk management resemble those discussed in SN 51-333, they include disclosure recommendations that are significantly more comprehensive than those set out in Canadian securities laws, or the guidance in SN 51-333. For example, current Canadian securities laws require disclosure of environmental policies fundamental to an issuer's operations, the text of an issuer's board mandate (or a description of how the board delineates its role and responsibilities), a description of board standing committees' functions and the text of the audit committee's charter. By contrast, the TCFD Recommendations include more specific disclosure relating to the governance and risk oversight of climate-change related risks, such as describing:

- the board's oversight of climate change-related risks and opportunities,
- management's role in assessing and managing climate change-related risks and opportunities, and
- the organization's processes for identifying, assessing and managing climate change-related risks, and how such processes are integrated into the organization's overall risk management.

In addition to the guidance for all business sectors, the TCFD Recommendations provide additional guidance for the financial sector as well as certain non-financial business sectors potentially most affected by climate change-related issues.[8] The TCFD Recommendations suggest that climate change-related strategy and metrics disclosures are to be disclosed where such information is material, with the exception

[8] Energy; transportation; materials and buildings (including real estate); and agriculture, food and forest products.

of those four non-financial groups identified, where the recommendation is that issuers within those groups that have more than $1 billion U.S. dollar equivalent in annual revenues provide those disclosures in voluntary reports even when the information is not deemed material and thus not included in regulatory filings.

The TCFD Recommendations suggest disclosure of impacts of climate change-related risks and opportunities on an organization's businesses, strategy, and financial planning. They diverge significantly from the disclosure requirements of Canadian securities laws by advocating the use of scenario analysis to assess the resilience of the organization's business strategy in the face of climate change and the transition to a lower-carbon economy. Organizations are specifically encouraged to include a publicly available 2°C scenario in their climate change-related disclosure, as well as two or three other scenarios relevant to an organization's circumstances. Not only is there is no direct equivalent to this requirement under Canadian securities laws, certain issuers we consulted were of the view that the disclosure of scenario analyses of this type may be problematic in light of the restrictions imposed on FLI by Part 4A and Part 4B of NI 51-102.

The TCFD Recommendations also differ from Canadian disclosure requirements by requiring the disclosure of:

- the metrics used by the organization to assess climate change-related risks and opportunities,
- Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions, and
- the targets used by the organization to manage climate related risks and opportunities and performance against targets.

4.5.2 Potential future trends and their implications

One of the stated objectives of the TCFD Recommendations is to promote alignment across existing disclosure regimes. While it remains to be seen whether the TCFD Recommendations will succeed in meeting this objective, there are some early indications that the sponsors of some of the voluntary frameworks, such as CDP and SASB, may align their efforts with the TCFD going forward. We also consulted with a number of users who suggested that the TCFD Recommendations might serve as a catalyst for the convergence of climate change-related disclosure standards, for both voluntary and mandatory filings. Whether this early enthusiasm will generate sufficient momentum to produce a meaningful level of convergence among the different voluntary disclosure frameworks is not yet certain.

Whether it occurs through broad use of the TCFD Recommendations or through some other mechanism, climate change-related disclosure practices may converge as our understanding of climate change-related risks and impacts matures and their disclosure becomes more prevalent over time.

Over the course of the Project, we have explored a number of issues in relation to the convergence of disclosure practices, including:

- whether the widespread adoption of a uniform set of metrics and qualitative disclosures will satisfy the needs of a sufficient number of investors and others such that the cost to issuers of producing such disclosures will be largely offset by a reduction in the demand by investors and others for additional disclosure on a piecemeal basis,
- whether any such disclosure guidelines or requirements should apply to all issuers, or be limited to issuers of a certain size or engaged in certain industries or other relevant criteria,

- whether a uniform set of metrics and qualitative disclosures provide useful comparability information,

- whether convergence or uniformity in disclosure practices might result in "boilerplate" disclosure in some circumstances, and

- the extent to which climate change-related disclosure should remain voluntary, as opposed to being required in regulatory disclosure filings.

i) Benefits of harmonization

Over the course of the Project, a number of consultees and respondents to the Issuer Survey indicated that they would welcome convergence in the various disclosure frameworks for climate change-related information. A number of significant benefits could flow from such a framework.

From an investor standpoint, the feedback we received noted the following potential benefits of convergence in disclosure frameworks:

- more robust disclosure in relation to climate change-related risks and impacts from a greater number of issuers, and

- disclosure that is more consistent, transparent, comparable and reliable as between issuers and industries as a whole.

Feedback from issuers noted the following potential benefits of convergence in disclosure frameworks:

- a level playing field for the preparation and disclosure of information in respect of climate change-related risks and financial impacts,

- the facilitation of issuers' efforts to comply with any potential mandatory disclosure requirements,

- some measure of certainty on the part of management and boards of directors regarding the adequacy of an issuer's disclosure of climate change-related information, and

- a significant reduction in demand for climate change-related information from investors and others on a piecemeal basis.

ii) Drawbacks of a single approach

While there is a strong current of opinion favouring convergence in the various approaches to climate change-related disclosure, other feedback received suggests that a single approach to disclosure within a narrowly defined set of parameters may not address the needs of all investors in all circumstances, and may be accompanied by a degree of inflexibility which would deprive issuers of the ability to provide necessary context. As noted above, a number of issuers indicated that the climate change-related information they were being asked to provide was frequently "granular" in nature, which suggests that a single framework may be insufficient to meet the demands of some investors and others, who will continue to seek a significant amount of additional disclosure.

Others expressed caution that a uniform set of metrics may not yield comparability and could result in erroneous conclusions. Moreover, a number of consultees and respondents to the Issuer Survey also expressed concerns that the convergence of disclosure requirements could lead to "boilerplate" disclosure

or to a "one size fits all" approach to climate change-related disclosure that would be unduly burdensome for all but the largest issuers.

iii) One size may not fit all

While the users consulted indicated a desire for high quality climate change-related disclosure from issuers of all sizes in all industries, they also indicated that their expectations are currently highest in relation to large issuers in carbon-intensive industries. There appears to be an expectation on the part of users that high quality climate change-related disclosure practices will start with the largest issuers, and steadily gain traction among smaller issuers to the extent that users pay greater attention to those smaller issuers over time.

Many of the issuers we consulted, on the other hand, expressed significant concerns about the cost and regulatory burden associated with onerous mandatory climate change-related disclosure requirements. We consulted a number of very large Canadian issuers that currently prepare comprehensive voluntary sustainability reports in compliance with existing disclosure frameworks, such as the GRI Framework or the IR Framework, and were advised that the preparation of fully-compliant sustainability reports is very costly and time consuming. We also met with several issuers that participate in the annual CDP survey, and were advised that this process has also become very burdensome in recent years.

The TCFD Recommendations were framed by a task force principally comprised of representatives of very large organizations with significant available resources to commit to climate change-related disclosure, whereas Canada is mainly comprised of issuers with more modest capitalizations. While the reporting of climate change-related risks and financial impacts is important, we also recognize that the imposition of extensive mandatory disclosure requirements may impose a disproportionate burden upon many issuers in the Canadian market.

Throughout the Project we noted that most issuers that disclosed emissions information (generally in their voluntary disclosures) used many different calculation standards, often in combination. As previously noted, there is concern among issuers that the imposition by securities regulators of a standardized metric or measurement standard will not necessarily provide consistent disclosure and reduce duplication, but rather add to what they are already required to provide for other purposes. In addition, since one standard does not appear to be sufficient to address the disclosure needs of all users, or the different circumstances of issuers across multiple industries, there is concern that a single measurement standard, such as the GHG Protocol (the metric endorsed by the TCFD Recommendations) may not be appropriate for all issuers.

iv) Some issuers seek flexibility to produce disclosure that meets the needs of their investors

While some issuers are disclosing climate change and other sustainability-related information in accordance with one of the standardized voluntary disclosure frameworks, other issuers have drawn on these frameworks to a more limited extent, or not at all. A number of issuers informed us that they have relied upon investor feedback to disclose only that information that they consider to be meaningful to, and responsive to the needs of, their own investors. Some issuers with extensive experience in sustainability reporting emphasized the importance of a disclosure regime that permits issuers to provide additional context against which metrics and other information can be better understood by investors and other users of information and have noted that a single disclosure framework, if excessively rigid, might deprive issuers of the flexibility to provide disclosure that reflects their own circumstances and investor community.

v) Uniform requirements may not necessarily produce better disclosure

Many proponents of uniform requirements cite comparability as one of its main benefits (along with consistency and transparency); however, some other stakeholders caution that comparability may not actually result from uniformity. In order to build in some flexibility, many frameworks, including the TCFD Recommendations, build some options or alternatives into their recommendations. For example, while the TCFD Recommendations recommend the calculation of emissions in accordance with the GHG Protocol, they also state that companies may use national reporting methodologies if they are consistent with the GHG Protocol. Further, they have noted that the scenario analyses outlined in the TCFD Recommendations would include such a high degree of estimation and broad assumptions that comparability would be unlikely. Similarly, many metrics, such as key performance indicators, are meant to provide issuer-specific insight as to what is important to the issuer and how it manages its business. As a result, they viewed the nature and composition of such metrics to be inherently non-comparable.

Some issuers noted that one unintended but inevitable side effect of convergence in disclosure requirements would be a corresponding convergence in issuers' disclosure to the point that such disclosure would be reduced to formulaic "boilerplate" disclosure providing investors with limited insight into an issuer's unique circumstances. A number of users expressed similar concerns.

5. CSA Plans for Further Work

The Project allowed us to gain a greater understanding of both users' and issuers' perspectives on the current state of climate change-related disclosure. As is clear from Part 4 of this notice, we heard a wide range of perspectives from users, issuers and others. Our plans for future work in this area reflect our consideration of what we heard, our assessment of the current state of disclosure in this area, and recognition of the realities of the Canadian capital markets, which include a relatively large number of smaller companies. We also seek to avoid imposing undue regulatory burden on Canadian issuers.

5.1 Summary

There was a broad consensus among the users consulted that disclosure in respect of climate change-related risks and financial impacts needs to improve. Users noted that in many cases, disclosure is not provided, while in other cases much of the disclosure provided is boilerplate, vague or viewed as incomplete. They also found the climate change-related disclosure provided by issuers often lacked clarity and consistency, which limited their ability to compare such disclosure between issuers. Certain users told us these deficiencies negatively impacted their ability to make voting and investment decisions. Several mechanisms were suggested to improve this disclosure.

In suggesting potential options for next steps, issuers indicated a preference for further education, refreshed guidance and a solution consistent with the current approach to disclosure in Canada, where information determined to be material for purposes of securities laws in Canada must be disclosed in CD filings, while additional non-material information may generally be disclosed on a voluntary basis. Users also indicated a preference for further education and refreshed guidance, however they also saw a need for new disclosure requirements.

In light of these considerations, we intend to focus our work in the following areas in the near-term:

(i) development of guidance and educational initiatives for issuers with respect to the business risks and opportunities and potential financial impacts of climate change, and

(ii) consideration of new disclosure requirements regarding corporate governance in relation to risks, including climate change-related risks, and risk oversight and management.

In addition to these near-term projects, we will continue to monitor the quality of issuers' disclosure with respect to climate change-related matters, as well as the ongoing development of best disclosure practices in this area, to assess whether further work needs to be done to ensure that Canadian issuers' disclosure continues to develop and improve.

We also intend to continue to monitor developments in reporting frameworks, evolving disclosure practices and investors' need for additional types of climate change-related disclosure to make investment and voting decisions, and whether disclosure requirements in relation to Scope 1 and Scope 2 GHG emissions are warranted in the future.

5.2 Guidance and education

i) The need for guidance and education

The users we consulted were consistent in suggesting that issuers across a wide range of industries could benefit from additional guidance and education with respect to the business risks and opportunities and potential financial impacts of climate change. In some cases, users highlighted the importance of an issuer's board of directors having an appropriate level of expertise in this area and suggested that this level of expertise may not currently be present. We heard that more guidance focused specifically on climate change would be beneficial to issuers and their advisors.

A number of issuers we consulted expressed an interest in additional regulatory guidance or educational opportunities with respect to climate change-related risks and financial impacts. One of the principal advantages of additional guidance and education is that it may assist issuers in assessing the extent to which their business is affected by climate change-related risks, and improving their disclosure within the existing framework for securities disclosure in Canada.

Our findings through the Project tended to confirm the need for further education and guidance for issuers and their advisors.

For example, in a few instances, issuers indicated that they do not disclose climate change-related information because they are not significant emitters of GHG or otherwise contributing to the underlying causes of man-made climate change. This suggests a narrow or incomplete understanding on the part of some issuers of the implications of climate change-related risks and financial impacts, which may affect issuers' businesses irrespective of the carbon intensity of their own operations. As previously highlighted, climate change-related risks and opportunities are those risks and opportunities which may affect an issuer, as opposed to the effect an issuer has or may have on the progression of climate change.

According to research conducted by SASB, 72 out of 79 Sustainable Industry Classification System (SICS) industries[9] are significantly affected in some way by climate change-related risk. However, certain industries may be more significantly impacted by certain climate change-related risks than others, and as such, the resulting financial impacts from these risks are likely to vary by industry. For example, issuers in carbon-intensive industries are more likely to see a significant impact from more stringent emissions regulations and the gradual transition to a lower-carbon economy than issuers in other industries. Within the financial sector, property and casualty insurers may have more claims related to extreme weather events, such as flooding or fire, as a result of the increased frequency and severity of these types of events due to climate change. In some circumstances, an issuer may be exposed to a particular climate change-

[9] The SASB Framework groups companies into industries and sectors based on their resource intensity and shared sustainability risks and opportunities. For more information about SICS, see http://www.sasb.org/sics/.

related risk irrespective of the risks that generally affect their industry. This could occur where an issuer is exposed to significant physical risks of climate change due to the geographic location of its business.

Guidance and education may also be useful to issuers in conducting materiality assessments with respect to climate change-related risks and financial impacts, given the uncertainty which exists with respect to the timing and precise effects of climate change. This uncertainty may cause issuers to take a narrow view of the materiality of those risks and impacts, or to incorrectly dismiss or de-emphasize those risks.

We note that a lack of familiarity and uncertainty with respect to the precise effects of climate change does not relieve issuers of the obligation to take appropriate steps to attempt to identify and assess the materiality of the climate change-related risks and financial impacts that they may be exposed to, in order to provide investors with the information they require to make informed investment and voting decisions. In some instances, issuers may need to develop and consider a range of potential quantitative impacts which, with additional experience and analysis, will become more fine-tuned over time. Ultimately, it is an issuer's responsibility to make a materiality assessment regarding climate change-related risks and financial impacts.

While we acknowledge that issuers may not be able to predict the occurrence of these events with certainty, the disclosure they provide should reflect a thoughtful assessment of the most current information available as to the likelihood of certain risks affecting their business and the potential impact of such risks. An issuer's materiality assessment should not be limited to risks that might reasonably be expected to have an impact upon an issuer in the near term, to the exclusion of risks that may only crystallize over the medium to long term. If an issuer concludes that a climate change-related risk could reasonably be expected to have a potential material impact on the issuer at some point in the future, it should be disclosed, even if it may only arise over the medium or long term. The assessment should be based on whether a reasonable investor's decision to buy, sell or hold securities of an issuer would likely be influenced or changed by the knowledge that a particular risk exists for the issuer and would have material impact on the issuer's business if it were to crystallize.

We note that some sources of guidance in respect of climate change-related risks are already available to issuers. In addition to existing CSA guidance in SN 51-333, the TCFD Recommendations, and the various other voluntary disclosure frameworks for climate change-related information CSA staff reviewed in connection with the Project, offer a number of useful insights regarding the nature of climate change-related risks and financial impacts. These include a number of specific examples of potential risks as well as some of the potential impacts which may flow from them. Issuers may wish to consider the guidance contained in these voluntary frameworks, as well as other relevant resources, as they seek to identify, analyze and disclose these risks and impacts. Using these, along with knowledge of its own business, issuers should make a thoughtful and informed analysis of the type of climate change-related risks that may impact them, the probability of their occurrence and the potential magnitude of their impact.

ii) Further work in relation to guidance and education

The CSA propose to develop new guidance and consider additional initiatives to educate issuers with respect to the business risks and opportunities and potential financial impacts of climate change. This work, which will build on the guidance provided in SN 51-333, may include some or all of the following:

- guidance on entity-specific risk factor disclosure, including legal/regulatory, physical, transitional and reputational risks associated with climate change, and their financial impact on revenues, expenses, cash flows, assets and liabilities,

- further guidance on trends and uncertainties associated with climate change,

- further guidance with respect to the definition of material information to be applied by issuers when assessing climate change-related risks and opportunities,

- guidance in relation to the governance and management oversight of climate change-related risks, and

- additional initiatives to educate issuers with respect to climate change-related risks and opportunities, such as seminars and publications, as well as reviews of climate change-related disclosure as part of the periodic continuous disclosure reviews conducted by CSA jurisdictions.

Any guidance and educational initiatives developed by the CSA in this area would be intended to assist all issuers in complying with their existing disclosure requirements.

5.3 New disclosure requirements

i) The need for new disclosure requirements

During the Project, many users expressed doubts that guidance alone would be sufficient to produce improvements in the quality of climate change-related disclosure. Some users are of the view that issuers must be compelled by specific and clear disclosure requirements to provide decision-useful information to their investors.

Accordingly, in considering whether new disclosure requirements are necessary or desirable, our objective has been to determine whether any significant gaps exist in our current disclosure framework, and to consider potential options for filling those gaps that do not impose undue regulatory burden on issuers. Based on our work in connection with the Project, we believe that new disclosure requirements should be considered in respect of issuers' governance practices in relation to material business risks and opportunities in general, and their processes for the identification, assessment and management of material risks. These processes are important in the context of all business risks and opportunities, including, for example, emerging or evolving risks and opportunities arising from climate change, potential barriers to free trade, cybersecurity and disruptive technologies.

As indicated in section 2.2 of this notice, section 3.4 of NP 58-201 states that an issuer's board should adopt a written mandate that explicitly acknowledges responsibility for, among other things: (i) adopting a strategic process and approving, at least annually, a strategic plan that takes into account the opportunities and risks of the business; and (ii) the identification of the principal risks of the issuer's business and ensuring the implementation of appropriate systems to manage these risks. Although the guidance regarding environmental matters provided in SN 51-333 states that such disclosure should provide insight into the development and periodic review of the issuer's risk profile, the integration of risk oversight and management into the issuer's strategic plan, the identification of significant elements of risk management and the board's assessment of the effectiveness of risk management, our Disclosure Review suggested that most issuers' disclosure currently provides investors with very little insight in these areas.

A large majority of the users consulted agreed that issuers should provide disclosure regarding their governance and oversight of risks, including those related to climate change. Many users supported the TCFD Recommendations in this regard, which recommend disclosure on:

- the board of directors' oversight of climate change-related risks and opportunities;

- management's role in assessing and managing climate change-related risks and opportunities;

- the process used by issuers to identify and assess climate change-related risks; and

- how such processes are integrated into the issuer's overall risk management process.

As previously discussed, these aspects of the TCFD Recommendations are not subject to an assessment of materiality.

In our Consultations, users offered a number of reasons for seeking this disclosure:

- issuers need reliable governance and risk oversight processes in order to identify material business risks, including material climate change-related risks,

- many users were not confident that issuers have reliable processes in place to identify and manage climate change-related risks,

- in the absence of this disclosure, many users questioned whether an issuer had made an informed analysis and had correctly concluded that climate change does not pose a material risk to it, or whether the issuer substantially overlooked this risk due to lack of expertise, due diligence or otherwise, and

- some larger institutional investors were hesitant to obtain this information through engagement with issuers, due to the risk of selective disclosure in violation of securities laws.

Most of the issuers we consulted indicated that they do, in fact, have processes in place for the management and oversight of risk, including climate change-related risk, which they consider to be reliable. They further indicated that the preparation of disclosure providing investors with insight into these processes would not be burdensome.

ii) Further work in relation to new disclosure requirements

Accordingly, we intend to consider proposed new disclosure requirements in the following areas:

- disclosure of issuers' governance processes in relation to material risks and opportunities, including the board's responsibility for oversight and the role played by management; and

- disclosure of how the issuer oversees the identification, assessment and management of material risks.

Any potential new rules or amendments to existing rules will need to follow our standard policy-making process, including publishing any proposed amendments for comment prior to implementing them. There is no assurance that any new rules or amendments will ultimately be adopted in any of the CSA jurisdictions.

Implementation of these disclosure requirements may entail amendments to Form 58-101F1, which sets out the disclosure requirements for TSX-listed and other non-venture issuers regarding their corporate governance practices. Any new disclosure requirements would be intended to provide insight into the processes through which issuers identify and manage all material business risks, including material climate change-related risk. In addition, we may also:

- change NP 58-201 to introduce corporate governance guidelines in the areas contemplated by any such new disclosure requirements, and
- provide additional staff guidance on how any such new disclosure requirements apply in the context of climate change-related risk.

To manage the impact of these new requirements on smaller issuers, we also anticipate that their application would be limited, at least initially, to non-venture issuers.

5.4 Areas of ongoing work

In our view, based on the findings of the Project, users' interest in climate change-related risks and opportunities will continue to increase. We further acknowledge that disclosure practices in relation to climate change-related disclosure will continue to evolve. Accordingly, further to the additional guidance and new disclosure requirements described previously, we will continue to monitor the quality of issuers' disclosure with respect to climate change-related matters, to assess whether additional work needs to be done to ensure that Canadian issuers' disclosure continues to develop and improve. This work may include consideration of the adequacy of climate change-related disclosure in our future reviews of issuers' CD against applicable disclosure requirements.

We will also continue to monitor the ongoing development of best practices in the area of climate change-related disclosure, both in voluntary frameworks and in mandatory continuous disclosure requirements outside of Canada, to determine whether our requirements need to evolve. Among other things, we will continue to assess whether investors require additional types of climate change-related disclosure, such as disclosure of GHG emissions or other metrics, to make investment and voting decisions.

During our Consultations, many users expressed an interest in the disclosure of GHG emissions, particularly Scope 1 and 2 emissions, as a means of assessing issuers' exposure to climate change-related risks. Although some issuers, particularly larger issuers in carbon-intensive industries such as oil and gas, currently disclose GHG emissions in voluntary reports, very few include them in their CD filings. None of these issuers took the view that their actual emissions, and the associated costs resulting from carbon taxes or other charges, were material to their business. We heard mixed views on the complexity of the calculation of GHG emissions and as to whether there is a single agreed metric or framework for their calculation. Additionally, we were told that the impact and significance of GHG emissions varies from industry to industry. We intend to continue to monitor developments in reporting frameworks, evolving disclosure practices and investors' needs in this area, including the disclosure of Scope 1 and Scope 2 GHG emissions, and may consider whether disclosure requirements in relation to Scope 1 and Scope 2 GHG emissions are warranted in the future.

Questions

Please refer your questions to any of the following:

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Appendix "A"
Definitions and Abbreviations

AIF means annual information form.

ASX means the Australian Securities Exchange.

CD means continuous disclosure.

CDP is a non-governmental organization formerly known as the Carbon Disclosure Project, which, among other things, has established a global disclosure system that enables companies, cities, states and regions to measure and manage their environmental impacts.

Climate change-related opportunity is defined in the TCFD Recommendations to include the potential positive impacts related to climate change on an issuer. Efforts to mitigate and adapt to climate change may produce opportunities for issuers, such as through resource efficiency and cost savings, the adoption and utilization of low-emission energy sources, the development of new products and services, and building resilience along the supply chain. Climate-related opportunities will vary depending on the region, market, and industry in which an issuer operates.

Climate change-related risk is defined in the TCFD Recommendations to include the potential negative impacts of climate change on an issuer. Physical risks emanating from climate change may be event-driven (acute) such as increased severity of extreme weather events (e.g., cyclones, droughts, floods, and fires). They may also relate to longer-term shifts (chronic) in precipitation and temperature and increased variability in weather patterns (e.g., sea level rise). Climate change-related risks may also be associated with the transition to a lower-carbon global economy, the most common of which relate to policy and legal actions, technology changes, market responses, and reputational considerations.

Consultations means the focused consultations with issuers, users and other stakeholders conducted as part of the Project.

CSA or **we** means the Canadian Securities Administrators.

Disclosure Review means the targeted review of current public disclosure practices of selected large Canadian issuers with respect to climate change-related information conducted as part of the Project.

FLI means forward-looking information.

Form 51-102F1 means Form 51-102F1 *Management's Discussion & Analysis*.

Form 51-102F2 means Form 51-102F2 *Annual Information Form*.

GHG emissions scope levels are defined by the GHG Protocol as follows:

- **Scope 1** means all direct GHG emissions;

- **Scope 2** means indirect GHG emissions from consumption of purchased electricity, heat, or steam; and

- **Scope 3** means other indirect emissions not covered in Scope 2 that occur in the value chain of the reporting company, including both upstream and downstream emissions. Scope 3 emissions could include: the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, electricity-related activities (e.g., transmission and distribution losses), outsourced activities, and waste disposal.

GHG means greenhouse gas.

GHG Protocol means the standard for calculating and reporting GHG emissions contained in: World Resources Institute and World Business Council for Sustainable Development, *The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)*, March 2004.

GRI Framework means the Global Standards for Sustainability Reporting published by the Global Reporting Initiative.

IR Framework means the International Integrated Reporting Framework published by the International Integrated Reporting Council.

issuer means reporting issuer, as that term is variously defined under securities laws in Canada.

Issuer Survey means the voluntary and anonymous on-line survey designed to solicit feedback from a wider range of TSX-listed issuers conducted as part of the Project.

MD&A means management's discussion and analysis.

NI 51-102 means National Instrument 51-102 *Continuous Disclosure Obligations.*

NI 52-109 means National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings.*

NI 52-110 means National Instrument 52-110 *Audit Committees.*

NI 58-101 means National Instrument 58-101 *Disclosure of Corporate Governance Practices.*

NP 58-201 means National Policy 58-201 *Corporate Governance Guidelines*.

Project means the CSA project to review the disclosure of risks and financial impacts to issuers associated with climate change, and the governance processes related to them, which was announced on March 21, 2017.

Publicly available 2°C scenario is defined in the TCFD Recommendations as a 2°C scenario that is used/referenced and issued by an independent body; wherever possible, supported by publicly available datasets; updated on a regular basis; and linked to functional tools (e.g., visualizers, calculators, and mapping tools) that can be applied by organizations. 2°C scenarios that presently meet these criteria include: IEA 2DS, IEA 450, Deep Carbonization Pathways Project and International Renewable Energy Agency. The IEA 2DS lays out an energy system deployment pathway and an emissions trajectory consistent with at least a 50% chance of limiting the average global temperature increase to 2°C. The IEA 2DS limits the total remaining cumulative energy-related CO^2 emissions between 2015 and 2100 to 1,000 gigatonnes of CO^2. The 2DS reduces CO^2 emissions (including emissions from fuel combustion and process and feedstock emissions in industry) by almost 60% by 2050 (compared with 2013), with carbon emissions being projected to decline after 2050 until carbon neutrality is reached.

SASB means the Sustainability Accounting Standards Board.

SASB Framework means the Climate Risk Technical Bulletin published by SASB as Technical Bulletin No. TB001-10182016 in October 2016.

Scenario analysis is a process for identifying and assessing a potential range of outcomes of future events under conditions of uncertainty.

SN 51-333 means CSA Staff Notice 51-333 *Environmental Reporting Guidance*.

sustainability report means an organizational report that gives information about economic, environmental, social, and governance performance and impacts.

TCFD Recommendations means the Final Recommendations of the Task Force on Climate-related Financial Disclosures published on June 29, 2017.

1.1.2 OSC Notice 11-780 – Statement of Priorities – Request for Comments Regarding Statement of Priorities for Financial Year to End March 31, 2019

Editor's Note: This Notice has been republished with a corrected Statement of Priorities. The Draft Statement of Priorities for Financial Year to End March 31, 2019 follows on separately numbered pages. Bulletin pagination resumes at the end of the Draft Statement.

ONTARIO SECURITIES COMMISSION
NOTICE 11-780 – STATEMENT OF PRIORITIES

REQUEST FOR COMMENTS
REGARDING STATEMENT OF PRIORITIES
FOR FINANCIAL YEAR TO END MARCH 31, 2019

The *Securities Act* requires the Commission to deliver to the Minister and publish in its Bulletin each year a statement of the Chair setting out the proposed priorities of the Commission for its current fiscal year in connection with the administration of the Act, the regulations and rules, together with a summary of the reasons for the adoption of the priorities.

This Statement of Priorities is a subset of our overall OSC Business Plan which is aligned with our OSC Strategic Plan. The document sets out the priority actions that the OSC will take in 2018-2019 to address each of the goals and its related priorities. While the proposed priorities will potentially impact more than one organizational goal, each priority is identified only under the specific goal where the greatest impact is expected. In certain cases, the process required to properly assess the issues, including consultations with market participants, and to develop and implement appropriate regulatory solutions, may take more than one year to complete.

In an effort to obtain feedback and specific advice on our proposed priorities, the Commission is publishing a draft Statement of Priorities which follows this Request for Comments. The Commission will consider the feedback, and make any necessary revisions prior to finalizing and publishing its 2018-2019 Statement of Priorities. Shortly after the conclusion of our 2017-2018 fiscal year the OSC will publish a report on its progress against its 2017-2018 priorities on our website.

Comments

Interested parties are invited to make written submissions by May 28, 2018 to:

Robert Day
Senior Specialist Business Planning
Ontario Securities Commission
20 Queen Street West
22nd Floor
Toronto, Ontario M5H 3S8
(417) 593-8189
rday@osc.gov.on.ca

March 29, 2018

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OSC

2018 – 2019 Statement of Priorities

DRAFT FOR COMMENT

Our 2018 – 2019 Priorities

Our 2018-2019 Statement of Priorities (SoP) sets out the priority areas on which the Ontario Securities Commission (OSC) intends to focus its resources and actions in 2018-2019. Each of the priorities set out in the pages that follow are aligned under one of the five OSC regulatory goals. Thirteen priorities from our 2017-2018 SoP are being carried forward with the next phase of work. The 2018-2019 SoP includes one new priority related to developing a strategic OSC workforce approach. Significant issues identified in our 2017-2018 SoP, including the ability of the Ombudsman for Banking Services and Investments (OBSI) to secure redress for investors and disclosure relating to women on boards and in executive officer positions, although not set out as specific priorities, will remain a prominent focus of the OSC'S work in the coming year. Additionally, our significant work in the international regulatory environment will continue as a key means to gain insights into emerging issues and standards that can be integrated into our policy development and oversight activities.

Deliver strong investor protection

The OSC will champion investor protection, especially for retail investors

- Publish regulatory reforms that address the best interests of the client
- Publish regulatory actions needed to address embedded commissions
- Advance retail investor protection, engagement and education through the OSC's Investor Office

Deliver effective compliance, supervision and enforcement

The OSC will deliver effective compliance oversight and pursue fair, vigorous and timely enforcement

- Protect investors and foster confidence in our markets by upholding strong standards of compliance with our regulatory framework
- Increase deterrent impact of OSC enforcement actions and sanctions by actively pursuing timely and consequential enforcement cases involving serious securities laws violations

Deliver responsive regulation

The OSC will identify important issues and deal with them in a timely way

- Work with fintech businesses to support innovation and capital formation through regulatory compliance
- Implement the orderly transfer of syndicated mortgage investments to OSC oversight
- Address opportunities to reduce regulatory burden while maintaining appropriate investor protections
- Actively monitor and assess impacts of recently implemented regulatory initiatives

Promote financial stability through effective oversight

The OSC will identify, address and mitigate systemic risk and promote stability

- Enhance OSC systemic risk oversight
- Promote cybersecurity resilience through greater collaboration with market participants and other regulators on risk preparedness and responsiveness

Be an innovative, accountable and efficient organization

The OSC will be an innovative, efficient and accountable organization through excellence in the execution of its operations

- Develop a strategic OSC workforce approach focused on skill recruitment and development
- Enhance OSC business capabilities
- Work with CMRA partners on the transition of the OSC to the proposed CMRA

Introduction

We are pleased to present the Chair's Statement of Priorities for the Commission for the year commencing April 1, 2018. The Securities Act (Ontario) requires the OSC to publish the Statement of Priorities in its Bulletin and to deliver it to the Minister by June 30 of each year. This Statement of Priorities also supports the OSC's commitment to be both effective and accountable in delivering its regulatory services.

This Statement of Priorities sets out the OSC's strategic goals and the specific initiatives that the OSC will pursue in support of each of these goals in 2018-2019. The Statement of Priorities also describes the environmental factors that the OSC has considered in setting these goals. The OSC will continue to drive forward with several priority areas that are focused on strengthening investor protection, delivering effective and impactful compliance and enforcement, being responsive to market evolution, contributing to financial stability and, while doing all these things, being a modern, accountable and efficient regulator.

It is important to note that the majority of OSC resources are focused on delivering the core regulatory work (authorizations, reviews, compliance and enforcement and the systems and infrastructure to support that work) undertaken by the OSC to maintain high standards of regulation in Ontario's capital markets.

OSC VISION

To be an effective and responsive securities regulator -- fostering a culture of integrity and compliance and instilling investor confidence in the capital markets.

OSC MANDATE

To provide protection to investors from unfair, improper or fraudulent practices, to foster fair and efficient capital markets and confidence in capital markets and to contribute to the stability of the financial system and the reduction of systemic risk.

OSC GOALS

Confidence in fair and efficient markets is a prerequisite for economic growth. The OSC regulates the largest capital market in Canada and our actions have impacts for Ontario and the rest of Canada. The OSC is committed to promoting safe, fair and efficient markets in Ontario and has identified a broad range of initiatives to improve the existing regulatory framework. We must anticipate problems in the market and act decisively to promote public confidence in our capital markets, protect investors, and support market integrity. We will continue to proactively identify emerging issues, trends, and risks in our capital markets.

Investor protection is always a top priority for the OSC. The OSC engages with investor advocacy groups and the Investor Advisory Panel for insight to help the OSC better understand investor needs and interests.

The OSC continues to move the regulatory agenda forward, improving the way we approach our work and engage with industry participants and other regulators to understand the issues and their concerns. Our recent LaunchPad initiative is an example of developing a collaborative approach to respond to emerging issues. These actions are essential to reach solutions that balance the inclusion of innovation and competition in the marketplace while maintaining appropriate investor safeguards.

The OSC works as part of the Canadian Securities Administrators (CSA) to harmonize rules and their application across the country. The OSC is working with the Ontario government and the OSC's counterparts in other participating jurisdictions to

develop a harmonized regulatory approach and seamless transition to the proposed Capital Markets Regulatory Authority (CMRA).

OUR ENVIRONMENT

The environment influences the OSC's policy agenda, its operations and the way it uses its resources. Public confidence in our markets can be affected by many factors, including the stability of the financial system, the economic health of the country and regulatory change.

Our Economy

Solid economic growth was positive for stock valuations at the end of 2017. Overall market activity was strong:

- Canadian exchange-traded funds (ETFs) continued their strong growth, with total assets under management rising by $33.6 billion, a 29.5% increase compared to December 2016. ETFs continue to be a growing segment of the Canadian investment product landscape. At the end of December 2017, ETF assets under management were 10% of those in mutual funds
- Equity capital raised through corporate IPOs during 2017 increased 567% to $4.9 billion ($739 million– 2016)
- Trading volume in the last quarter of 2017 was 14% higher than the comparable quarter of 2016 and 45% higher than the previous quarter. A primary contributor to this increase was the growth in the cannabis sector where trading volumes have been so high that some online brokerages reported system outages at the end of 2017

Though Canada is still experiencing strong economic growth and job creation, various challenges are on the horizon, including concerns about the NAFTA negotiations, elevated household indebtedness and escalating housing costs. These items could materially affect our capital markets, industry participants and investors.

Modernizing Financial Services in Ontario

The Government of Ontario is moving forward with initiatives to modernize the financial services regulatory framework. These policy priorities and changes in regulatory authority will impact the OSC and its operations including:

- The creation of a Regulatory Super Sandbox and the Ontario FinTech Accelerator Office
- Transfer of regulatory oversight of syndicated mortgage investments from the Financial Services Commission of Ontario (FSCO) to the OSC
- Implementation of a regulatory framework for financial planners
- Working with the Financial Services Regulatory Authority of Ontario (FSRA) on the regulatory framework including infrastructure, fee models and fintech
- Working with CMRA partners on the transition of the OSC to the proposed CMRA

Demographics

Demographics are critical to understanding investor needs and are a key driver of most investor-focused issues. Different investor segments (e.g. seniors versus millennials) have unique characteristics and present different challenges in terms of investment objectives and horizons. Their preferences can vary in terms of service channels (online versus in person) and products (ETFs versus mutual funds). The focus being placed by all investors on issues such as the cost of advice, fee structures and conflicts of interest, is increasing and creating pressure for regulators to develop a framework that continues to meet the expectations and interests of investors. Evolving market channels, such as automated financial advice, are redefining the delivery of client wealth management services and the fees charged for advice. Concurrently, firms are under growing pressure to align their cultures and conduct with investor needs and interests.

Financial Innovation

Complexity driven by financial innovation offers many potential benefits and risks to the market. Fintech (technology facilitated financial services) is leveraging new technology and creating new business models in the financial services industry such as providing new product offerings (blockchain-based cryptocurrencies) and disrupting service channels (online advisors). This innovation is driving more complexity in financial markets and products and creating a risk that consumers may not

understand what they are buying. Initial offerings of digital currency and similar instruments can raise fundamental issues about the scope of securities regulation, at the same time that they present significant investor protection issues.

A well-functioning investor/advisor relationship remains critical to the economic well-being of Ontarians and ultimately to achieving healthy capital markets. To achieve this outcome the culture and conduct of financial firms and advisors need to be aligned with meeting investor needs, including fostering investor trust and confidence.

Within this environment the OSC will strive to balance promoting market efficiency and achieving fair outcomes for all investors.

Investor Education

The OSC is actively involved in providing investor education tools and resources to help investors achieve improved financial outcomes. The OSC will seek new and innovative ways to deliver investor education and support retail investors in today's complex investing environment. We engage with investors, industry participants and other regulators to understand the issues and concerns they face.

Investor Redress

Investors will always be at risk for potential losses from improper or fraudulent interactions. A number of jurisdictions are looking at ways to improve investor access to redress in these types of situations. Avenues to obtain investor redress, including an effective and fair dispute resolution system, are increasingly being included as part of investor protection frameworks. Effective investor redress is a necessary complement to reforms to the advisor/client relationship. To achieve better results for investors, the OSC will continue its support for OBSI to be better empowered to secure redress for investors.

Globalization

The markets, products, and participants that the OSC regulates and oversees continue to grow in size and complexity and globalization of financial markets, products and services adds another layer to these challenges. The breadth and interconnection of markets and mobility of capital raises challenges to regulatory supervision, magnifies the value of cooperation between regulators and increases the benefit of achieving consistent standards and requirements across jurisdictions.

Cybersecurity Resilience

Cyber-attacks that have the potential to disrupt our markets and market participants are likely to occur. Growing dependence on digital connectivity is raising the potential for digital disruption in our financial services and markets and creating a strong imperative to raise awareness about cyber-attacks and strengthen cybersecurity resilience. This is a growing challenge as more businesses, services and transactions span national and international borders.

Regulatory Harmonization

The OSC works as part of the Canadian Securities Administrators (CSA) to harmonize rules and their application across the country to facilitate business needs. Through these efforts, the OSC works hard to have effective cross-jurisdiction enforcement activities and gain timely insight, understanding and input into emerging regulatory issues to achieve better regulatory outcomes.

The OSC also continues to play an active role in international organizations such as the International Organization of Securities Commissions (IOSCO) to influence and promote changes to international securities regulation and share new ideas and learnings that will benefit Ontario markets and participants.

The OSC works with many domestic and international regulators to monitor financial stability risks and trends, improve market resilience, and reduce the potential risk of global systemic events. The OSC together with the CSA is continuing to build a domestic OTC derivatives framework and to implement the compliance and surveillance tools required. As part of their review of market stability issues, financial system regulators are examining the need for companies to disclose exposure to economic, environmental and social sustainability risks, including climate change. The Financial Stability Board (FSB) has established a Task Force on Climate-related Financial Disclosures to develop a set of recommendations for consistent, comparable, reliable, clear and efficient climate-related disclosures by companies. The OSC will continue to

monitor these developments to determine the need for a regulatory response.

Workforce Strategy

The OSC needs to be a proactive and agile securities regulator. To meet evolving needs, the OSC will strengthen its capabilities through its people. While attracting, motivating and retaining top talent in a competitive market environment continues to be challenging, the OSC is building its capabilities and skills by recruiting staff across a range of disciplines, and by developing the skills and experience of our internal talent.

Data Management

The OSC is adding new tools and processes to support staff in delivering their responsibilities. A key element will be addressing challenges in managing growing volumes of data. The OSC is investing in information technology and infrastructure to support an integrated data management program that will improve access to information to identify trends and risks and support analysis and decision-making.

Regulatory Burden

Securities regulators must balance pressures to respond to market issues while avoiding over-regulation. Regulatory costs should be proportionate to the regulatory objectives sought. Regulatory burden is a key focus for market participants, who need more resources in order to comply with new regulatory requirements. The OSC is committed to re-examining our rules and processes to ensure they are appropriate, necessary and will identify opportunities to reduce undue burdens and to streamline regulation. Our objective is to reduce regulatory burden wherever possible, as long as appropriate safeguards for investors are in place.

Deliver strong investor protection

The OSC will champion investor protection, especially for retail investors

The OSC remains strongly committed to investor protection and is continuing to expand its efforts to strengthen investor protection through various investor-focused initiatives. Investors need to be confident in the fairness of the market, have trust and confidence in their advisors and understand the products in which they invest. Investing continues to be a critical element to finance lifestyle and retirement goals. There are wide gaps in the levels of experience and financial literacy among investors which require different approaches to support and guidance. The OSC continues to expand and modernize efforts in investor engagement, research, education and outreach, to help investors build their knowledge, understanding and confidence in planning for their investment goals and retirement finances.

The OSC will continue to seek input from all stakeholders, as well as OSC advisory committees such as the Investor Advisory Panel (IAP) and the Seniors Expert Advisory Committee (SEAC) that, in combination with available research, informs our understanding of investor issues. The OSC will use this information in developing tailored solutions to reach the broad range of investor groups, including seniors, millennials and new Canadians. The initiatives set out below will advance achievement of the OSC's investor protection mandate.

OUR PRIORITIES

Publish regulatory reforms that address the best interests of the client

Access to affordable, high quality and unbiased investment advice will always be a core investor expectation. Investor trust and confidence in the financial system is critical and can only be attained when achievement of investment objectives is a mutually shared outcome for advisors and investors. Working with the CSA, the OSC has carefully examined a wide range of advisor/client relationship issues, including incentive structures. The OSC will undertake the following initiatives to strengthen the culture of compliance in registrant businesses and improve the alignment of interests between advisors and clients.

The actions will include:

- Publish rule proposals aimed at improving the client/advisor relationship through:
  - regulatory provisions to create a best interest standard
  - embedding a new client/advisor standard in core targeted regulatory reforms under National Instrument (NI) 31-103 – *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (NI 31-103) (including conflicts of interest, know your client, know your product, suitability and relationship disclosure)
- Initiate work on remaining reforms such as titles and proficiency and provide recommendations to advance the initiatives to the Commission.
- Provide a regulatory impact analysis of the proposed regulatory provisions

Publish regulatory actions needed to address embedded commissions

Work with the CSA to finalize recommendations and a regulatory decision on next steps related to embedded commissions.

Actions will include:

- Publish policy recommendations on embedded commissions to mitigate the investor protection and market efficiency issues identified in *Consultation Paper 81-408 -- Consultation on the Option of Discontinuing Embedded Commissions*
- Publish policy provisions to enact the recommendations

- Complete analysis of the potential impacts of proposed policy changes relating to the use of embedded commissions in securities products

Advance retail investor protection, engagement and education through the OSC's Investor Office

Investor protection is at the core of everything the OSC does, and we are committed to improving outcomes for retail investors through policy, research, education and outreach initiatives led by our Investor Office.

As part of its continued efforts to deliver strong investor protection, the OSC recently published its Seniors Strategy, which contains a roadmap of targeted approaches to address the investment issues of older investors. The strategy outlines new initiatives the OSC is pursuing in relation to older individuals and our plans to continue building on existing initiatives. We will implement our Seniors Strategy and provide a report on our progress in one year.

The OSC continues to believe that investors should have access to an effective and fair dispute resolution system as a central component of the investor protection framework. With our OBSI Joint Regulators Committee colleagues, the OSC will continue work to strengthen OBSI and provide a robust oversight framework. The OSC believes that a regulatory roadmap must be developed addressing the recommendations in the independent evaluator's report and, in particular, that OBSI's decisions should be binding on its members.

Research broadens and deepens our understanding of retail investor behaviour. It also allows us to understand and respond to emerging trends in the markets and the ways investors are reacting to them. We will continue to conduct and publish research that provides insights into retail investor knowledge, attitudes and behaviours, in order to design better policies and programs as part of our evidence-based approach.

The OSC will undertake the following actions to advance retail investor protection:

- Implement the OSC Seniors Strategy, including the development of a regulatory framework for addressing financial exploitation and cognitive impairment that includes a safe harbour for firms and their representatives
- Strengthen OBSI and publish a plan to enhance compliance with OBSI's recommendations and a response to the OBSI independent evaluator's other recommendations, while providing a robust oversight framework
- Implement an education and outreach strategy for new Canadians, with a focus on older investors
- Publish timely and responsive retail investor and behavioural research

MEASURES OF SUCCESS

- Regulatory reforms proposed to improve the advisor/client relationship published for comment. Focused consultations on rule proposals completed and comments evaluated. Implementation project plan for further reforms developed
- Behavioural insights principles integrated into OSC policies and programs
- Retail investor research informs OSC work and provides insights for investors and market participants.
- A regulatory framework to address issues of financial exploitation and cognitive impairment developed together with regulatory colleagues
- An update is published detailing how we are addressing the recommendations in the independent evaluator's report on OBSI and our progress on developing a regulatory roadmap

Deliver effective compliance, supervision and enforcement

The OSC will deliver effective compliance oversight and pursue fair, vigorous and timely enforcement

Effective compliance and supervision programs, combined with timely enforcement, are essential to protect investors and foster trust and confidence in our capital markets. The OSC is committed to improving the efficiency and effectiveness of its compliance, supervision and enforcement processes and will protect the interests of investors by taking action against firms and individuals who do not comply with Ontario securities law. These activities help to deter misconduct and non-compliance by registrants and market participants.

OUR PRIORITIES

Protect investors and foster confidence in our markets by upholding strong standards of compliance with our regulatory framework

Our compliance work will be targeted through better use of data with reviews focused on higher risk areas. We will proactively identify registrants and issuers whose operations or structures may pose risks to retail investors and take appropriate regulatory action. We will also conduct targeted prospectus and continuous disclosure reviews of issuers, investment funds and structured products as they respond to market developments (e.g. cannabis) and engage in product innovations (e.g. cryptocurrencies). We will publish OSC staff guidance as warranted. In order to achieve the desired deterrent effect, we will need to make our actions highly visible and well understood by market participants and the public. Actions will include:

- Maintain effective oversight of registrants by conducting targeted compliance reviews focused on:
  - new registrants and high risk, problematic (for cause), large/high impact firms identified from the 2018 Risk Assessment Questionnaire (RAQ)
  - sales practices of registrants
  - emerging risk areas including evolving business models, online advice and expansion of the exempt market
- Update and issue the 2018 RAQ

Increase deterrent impact of OSC enforcement actions and sanctions by actively pursuing timely and consequential enforcement cases involving serious securities laws violations

The OSC is focused on achieving enforcement case results that provide strong regulatory messages and are aligned with OSC strategic priorities. The OSC will build on the successes of enforcement tools such as our Joint Serious Offences Team (JSOT) program to identify serious breaches of Ontario securities law. The OSC is confident that enforcement tools such as no-contest settlements and the OSC Whistleblower program will produce effective and meaningful enforcement outcomes. The OSC is taking actions to aggressively pursue the collection of penalties and fines in order to maximize the intended deterrent impacts of its sanctions. To increase the visibility and deterrent impact of OSC enforcement the OSC will:

- Investigate and prosecute complex quasi-criminal and criminal matters that harm market integrity or erode confidence in Ontario's capital markets

- Focus on cases involving repeat offenders, fraudulent activity and other serious breaches of the Securities Act or violations of the Criminal Code
- Improve the efficiency and reduce the timelines of our enforcement efforts through:
  - streamlined investigative and prosecution processes
  - strategic case selection that is focused on core aspects of our regulatory framework – disclosure, governance, conflicts of interest and market integrity
  - greater use of technology, including working with the CSA to develop a new market analytics platform for investigations
  - by using data analytics tools and the expertise of strategic partners in law enforcement
- Continue to raise awareness of the OSC Whistleblower program including:
  - promoting better understanding of the anti-retaliation protections for whistleblowers
  - developing a more proactive outreach program to reach potential high value whistleblowers
- Improve the process for collection of unpaid monetary sanctions and continue a pilot program to collect unpaid monetary sanctions on a contingency basis

MEASURES OF SUCCESS

- Compliance is improved by identifying significant areas of non-compliance and ensuring that these issues are resolved by registrants within agreed timelines, or by firms before registration is granted
- 2018 RAQ revised, completed and released on time
- Enhanced profile for the OSC Whistleblower program increases the number of credible tips
- Increased deterrence of misconduct is visible in areas targeted for priority enforcement actions
- Enhanced market analytics capability generates more timely, accurate and actionable information for improved compliance and enforcement outcomes
- OSC collection presence is improved

Deliver responsive regulation

The OSC will identify important issues and deal with them in a timely way

Market structures and products are evolving and becoming increasingly complex. The OSC must strive to maintain a responsive regulatory framework as it addresses regulatory challenges and developments. A key element in this process is active OSC participation in international regulatory forums. The OSC participates as a member of IOSCO and engages with other key regulatory authorities to develop international regulatory standards. Through these efforts the OSC obtains timely insights and understanding of emerging compliance and regulatory issues and provides input that helps shape regulatory responses that are aligned with and reflect the needs of the Canadian capital markets and its participants.

The OSC is investing to strengthen its data management capabilities to better understand and track the impacts of its regulatory actions and to support its "evidence-based approach" to policy development and regulatory oversight. The OSC will undertake a number of reviews of recently implemented regulatory reforms to assess whether expected results are being achieved and to identify opportunities for further regulatory changes to better achieve its regulatory objectives.

OUR PRIORITIES

Work with fintech businesses to support innovation and capital formation through regulatory compliance

The pace of fintech innovation continues to escalate and is a key disruptive force in the financial services industry. Since October 2016, OSC LaunchPad, has actively engaged with the fintech community to provide support in navigating regulatory requirements. LaunchPad provides a forum to discuss proposed approaches, raise questions and educate fintech businesses about the regulatory requirements for which registration and/or exemptive relief may be needed. As part of the OSC's goal to keep regulation in step with digital innovation, the OSC created a Fintech Advisory Committee, which advises the OSC LaunchPad team on developments in the fintech space as well as the unique challenges faced by fintech businesses in the securities industry.

The OSC will undertake the following initiatives to support the evolution of fintech businesses in Ontario:

- Support fintech innovation through OSC LaunchPad by:
  - Offering direct support to innovative businesses in navigating the regulatory requirements and potentially providing flexibility in how they meet their obligations including participating in the CSA regulatory sandbox
  - Working with FSRA to develop eligibility criteria and success measures for the Ministry of Finance (MOF) SuperSandbox
  - Fostering the use of cooperation agreements with other regulators to support Ontario firms seeking to expand into other jurisdictions
- Integrate learnings from working with innovative businesses and identify opportunities to modernize regulation for the benefit of similar businesses by:
  - Engaging the fintech community to better understand their needs and help them understand the regulatory requirements that apply to their businesses
  - Liaising with other international regulators that have similar innovation hub initiatives to better understand international trends and developments
  - Working with the OSC Fintech Advisory Committee to further understand the unique issues faced by start-ups
- Continue to identify issues and potential regulatory gaps arising from cryptocurrency,

initial coin and similar offerings, and blockchain developments by:

- Conducting ongoing monitoring and reviews of reporting issuers with cryptocurrency and blockchain businesses including those seeking to become reporting issuers through reverse takeovers or initial public offerings and existing reporting issuers that are involved in change of businesses transactions
- Completing issue-oriented reviews of the cryptocurrency and initial coin and similar issuers and the blockchain industry as appropriate and publishing reviews
- Liaising with listing venues and the CSA to identify and discuss industry developments and consider the impact on disclosures
- Enhancing the guidance as to when initial coin and similar offerings involve securities

Implement the orderly transfer of syndicated mortgage investments to OSC oversight

Syndicated mortgage investments are mortgages in which two or more persons participate as lenders in a debt obligation secured by the mortgage. Concerns have been raised about the current regulatory framework, including in a 2016 expert report to the Ministry of Finance reviewing the mandate of the FSCO. In response to these concerns, on April 27, 2016, the Ontario government announced its plan to transfer regulatory oversight of syndicated mortgage investments from FSCO to the OSC. The OSC is working with the Ontario government and FSCO to plan and implement an orderly transfer of the oversight of syndicated mortgage products to the OSC.

Actions will include:

- On March 8, 2018, amendments to NI 45-106 Prospectus Exemptions and NI 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations, that substantially harmonize the regulatory approach to syndicated mortgages across CSA jurisdictions and introduce additional investor protections, were published for comment. OSC and CSA staff will consider comments received and work toward finalizing the amendments by March, 2019
- Develop a plan for the registration and oversight of market participants active in offering of syndicated mortgages

Address opportunities to reduce regulatory burden while maintaining appropriate investor protections

During the past year the OSC identified and assessed opportunities to reduce undue regulatory burden in terms of time and compliance costs without compromising investor protection or the efficiency of the capital markets. These efforts also included looking at specific areas of securities legislation that may duplicate other requirements or may not be achieving our regulatory objectives, or where the regulatory burden may be disproportionate to the regulatory objectives that are being achieved.

Together with its CSA partners, the OSC will be taking the following steps to address these opportunities:

- Draft amendments to the rules to implement identified opportunities to reduce investment fund disclosure requirements
- Initiate key policy initiatives to streamline reporting issuer requirements, including potential draft rule amendments (where applicable), related to:
  - the criteria to file a business acquisition report
  - primary business requirements
  - at-the-market offerings
  - identified opportunities to reduce continuous disclosure requirements
  - consideration of a potential alternative prospectus model
- Identify opportunities to use technology and data to reduce regulatory burden (e.g. electronic delivery of documents)

Actively monitor and assess impacts of recently implemented regulatory initiatives

The OSC will review recently implemented regulatory reforms to confirm whether expected results are being achieved. Key areas of focus will include:

The Client Relationship Model (CRM2) and Point of Sale (POS) initiatives

The OSC will evaluate whether the CRM2 and POS projects achieved their shared objective of enhancing investors' understanding of the costs and fees associated with investment products through:

- Continued participation in the CSA project measuring the post implementation impact of the CRM2 and POS initiatives

Women on Boards and in Executive Officer Positions (WoB)

The disclosure requirements set out in NI 58-101 *Disclosure of Corporate Governance Practices* are intended to increase transparency for investors and other stakeholders regarding the representation of WoB of TSX-listed issuers. The requirements have been in place for three annual reporting periods. Together with its CSA partners, the OSC will be considering whether:

- Changes to the disclosure requirements are warranted and, if so, the nature of those changes
- Strengthening the existing "comply or explain" disclosure model with guidelines regarding corporate governance practices is warranted

MEASURES OF SUCCESS

- Greater use of creative regulatory approaches (e.g. limited registration and other exemptive relief) provides an environment for innovators to test their products, services and applications
- Ontario is viewed as a fintech innovation hub with a positive and supportive environment for investment
- CSA Regulatory Sandbox supports development of novel business models and facilitates more timely registration and exemptive relief processes for emerging firms
- Cryptocurrency, initial coin and related offerings, and blockchain issues and regulatory gaps are identified and addressed in a timely manner with minimal impacts on investors or disruptions to capital markets
- Enhanced guidance that defines when initial coin and similar offerings involve securities is published
- Time-to-market of novel fintech businesses is reduced while maintaining appropriate investor safeguards
- Capital formation and innovation supported through LaunchPad
- Transition plan for the transfer of syndicated mortgages to OSC oversight developed
- An update on the key findings of the review of next steps regarding the WoB initiative is published
- Analysis of the CRM2 and POS implementation identifies the impacts on investors and investment industry and confirms whether the policy projects achieved their stated goals. Applicable OSC/CSA policy is informed by the early results of the CRM2 impact analysis project
- Regulatory impact analyses completed for all SoP initiatives and other initiatives with significant stakeholder impact

Promote financial stability through effective oversight

The OSC will identify, address and mitigate systemic risk and promote stability

Global capital markets are highly interconnected by technology and investment flows and this creates potential for global systemic risk. The OSC works with other regulators and market participants to identify and monitor potential financial stability risks and the resilience of financial markets. Through these actions the OSC is more aware and better able to understand points of integration and potential risks and ultimately better positioned to respond to systemic developments as they occur.

OUR PRIORITIES

The OSC works with many domestic and international regulators to monitor and better understand the key components of systemic risk and how they interact. The OSC works with the Financial Stability Board and plays a strong leadership role within the International Organization of Securities Commissions (IOSCO). OSC staff chair the IOSCO committees focused on Regulation of Secondary Markets and Emerging Risks. Domestically, the OSC is connected to various regulators through the Heads of Agencies, which includes the Bank of Canada, the federal Department of Finance and The Office of the Superintendent of Financial institutions. These interactions improve the resilience of our markets through shared communication and understanding of emerging topics such as digital innovation and other areas where our regulatory responsibilities intersect.

Enhance OSC systemic risk oversight

The OSC will enhance its internal identification and monitoring of trends and risks across various market segments and participants including -- equities, fixed income, OTC derivatives, trading platforms, clearing agencies and derivatives dealers. Identifying emerging risks in a timely manner leads to a better understanding of the key components of systemic risk and how they interact.

Actions will include:

- Continue to implement a framework for analyzing OTC derivatives data for systemic risk oversight and market conduct purposes including the development of analytical tools and the creation of snapshot descriptions of the Canadian OTC derivatives market
- Enhance OTC derivatives regulatory regime by:
  - Implementing rules for the segregation and portability of cleared OTC derivatives
  - Hosting a Business Conduct Rule roundtable
  - Republishing the Derivatives Business Conduct Rule for comment
  - Publishing Derivatives Dealer Registration rule
  - Publishing Margin for Uncleared Derivatives rule
  - Proposing amendments to trade reporting rule with respect to internationally adopted data standards
  - Conducting liquidity analyses on products suitable for public dissemination
- Propose amendments to clearing rules with respect to clearable products
- Conduct reviews of compliance with OTC Derivatives rules (Trade reporting, Clearing, Segregation & Portability)
- Publish a Staff Notice on the Canadian Trade Reporting Compliance audits regarding findings and areas for improvement
- Develop OSC/CSA regulatory regime for financial benchmarks and publish for comment a proposed rule to establish a Canadian regulatory regime for financial benchmarks
- Continue to develop the OSC's capabilities to monitor liquidity conditions in the corporate debt market. Derivatives reporting reviews targeted for US firms and commence review of new derivatives regulation
- Identify, assess, monitor and address (as required) potential financial stability risks in Ontario's capital markets

- Respond to IOSCO's recommendations on liquidity management and leverage measurements and reporting including an assessment of the industry's readiness

Promote cybersecurity resilience through greater collaboration with market participants and other regulators on risk preparedness and responsiveness

Financial services providers are increasingly relying on advances in technology and access to data to support innovation and growth. Increased dependence on digital connectivity (e.g., online banking and mobile payment systems), combined with exponential growth and reliance on data and related storage remains a growing source of exposure to cyber risk. Increases in the number and sophistication of cyber-attacks pose a major and growing risk for market participants and regulators. Central elements of our markets, such as algorithmic trading systems, could potentially accelerate the speed and breadth of cybersecurity disruptions. Other more public impacts such as data breaches can include theft of sensitive or personal financial information and investor losses.

As the role of technology in delivering financial products and services grows, and firms adopt newer and evolving technologies, the level of cyber risks increases.

Cyber risk constitutes a growing and significant threat to the integrity, efficiency and soundness of our capital markets. Disruptions or incidents at specific firms may have broader systemic implications. Regulators, market participants, and other stakeholders must work together to enhance cyber security resilience. The OSC will continue to press market participants to maintain and improve their cyber defenses and resilience to respond to cyber-attacks by taking an active and central role in assessing and promoting readiness and supporting cybersecurity resilience within the industry. To address this priority the OSC will:

- Promote cyber resilience through greater collaboration with market participants and regulators on risk preparedness and responsiveness
- Improve coordination in case of cyberattack or disruption by finalizing a market protocol

MEASURES OF SUCCESS

- OTC derivative framework in place and oversight reviews completed
- Exemption requests for segregation and portability rules handled expeditiously and preliminary monitoring completed on the effects of mandatory clearing and segregation and portability rules on the market
- Registration and business conduct rules and related amendments completed on time, requiring responsible market conduct in the OTC derivatives markets
- Improved awareness of potential systemic vulnerabilities that can impact or be impacted by Ontario's capital markets
- New risk controls are identified and implemented as result of internal OSC analysis and/or inter-agency collaboration
- Provide update on proposal for regulation of financial benchmarks
- Market disruption protocol finalized and published
- Evidence of improved cybersecurity awareness and growing cross-industry collaboration on cyber risk

Be an innovative, accountable and efficient organization

The OSC will be an innovative, efficient and accountable organization through excellence in the execution of its operations

Market participants expect the OSC to use its resources efficiently. That is why improving the OSC's efficiency, effectiveness and business capabilities are always top priorities. The OSC is focused on strengthening its current and long-term capabilities through its people. We are undertaking a workforce planning process to be a proactive and agile securities regulator as the industry and environment continues to change. We will build our long-term capabilities by recruiting staff across a range of disciplines, and developing the skills and experience of our internal talent through formal training and experience-based learning.

The OSC will be transforming its regulatory business by increasing emphasis on effective collection, management and use of data. A key focus area will be developing capabilities in data management and analytics across our regulatory work. The OSC will introduce new tools and techniques for analysing data including developing data analytics capabilities. Improved technology and analytical tools will improve the efficiency, quality and timeliness of enforcement, and the OSC's ability to gather and analyze data and other information for compliance. As the OSC transitions to using new technology-based regulatory techniques and tools, there will be growing needs for capabilities focused on analytics and technology skills.

Proactive regulatory solutions, such as the Launchpad initiative, are examples of how regulators can support innovation and capital formation. We will continue to seek similar opportunities to improve our regulatory effectiveness. The OSC will pursue opportunities to provide more digital portals and
e-forms and make interaction with us simpler. We are collaborating with our CSA partners to develop modern, more easily configurable systems to replace the current CSA national systems.

OUR PRIORITIES

Develop and Implement a Strategic OSC Workforce Plan

The OSC will continue to develop the skills and experience of its staff to meet current and emerging needs by:

- Sustaining a workplace culture where employees have a sense of purpose and pride in their work, are productive, and enjoy being part of the OSC community
- Increasing efforts to identify, monitor, and manage talent risks to mitigate impact on operations
- Expanding its range of staffing approaches and employment relationships to increase its ability to attract, retain and leverage staff with specialized skills and experience
- Continuing to strengthen and build on succession planning and talent mapping practices to ensure a robust talent pipeline for critical roles across the organization
- Continuing to deliver targeted talent development programs including leadership, coaching and skills-based learning, thereby strengthening organizational performance

Enhance OSC business capabilities

The OSC will take the following actions to enhance its business capabilities:

- Develop and implement a comprehensive data strategy that will provide the foundation for increased reliance on enterprise-wide data management and analytics to support risk and evidence-based decision making by:
  - Developing clearly defined, approved and understood data strategies, policies, standards, procedures and metrics

  - Improving staff efficiency and ability to generate quality work through: more accessible, cleaner, better organized data; enhanced data sharing; reduced time to access appropriate data; earlier identification of emerging risks/trends
  - Working across the OSC to develop a community of practice focused on data analytics
- Enhance current e-filings portal to address inefficiencies in the way e-filings are captured and integrated into the financial information system

Work with CMRA partners on the transition of the OSC to the proposed CMRA

The OSC views the proposed CMRA as an opportunity to enhance investor protection, foster efficient rulemaking and promote globally competitive markets in Canada.

The OSC will:

- Continue to work with participating jurisdictions and the proposed CMRA to develop a harmonized regulatory approach and seamless transition
- Maintain an engaged and effective regulatory presence including a cooperative interface with the CSA

MEASURES OF SUCCESS

- Work structures reflect the evolving approach to policy and file work that draws upon multiple skills and expertise
- Lower turnover of staff with sought-after skill sets
- Demonstrated examples of information sharing and/or cross-branch collaboration result in reduced training costs and enhanced productivity in support of OSC goals
- OSC data governance framework implemented
- Consistent cross-Commission compliance with data policies, standards and procedures
- Business needs supported by improved ability to effectively identify, collect, manage and use data
- Demonstrated examples of greater reliance on data to support priority setting and more evidence-based, policy/operational decision-making
- The OSC is ready and able to transition to the proposed CMRA

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1.3 Notices of Hearing with Related Statements of Allegations

1.3.1 David Tuan Seng Lim and Michael Mugford – ss. 127(1), 127(10)

FILE NO.: 2018-14

IN THE MATTER OF
DAVID TUAN SENG LIM and
MICHAEL MUGFORD

NOTICE OF HEARING
Subsections 127(1) and 127(10) of the *Securities Act*, RSO 1990, c S.5

PROCEEDING TYPE: Inter-jurisdictional Enforcement Proceeding

HEARING DATE AND TIME: In writing

PURPOSE

The purpose of this proceeding is to consider whether it is in the public interest for the Commission to make the order requested in the Statement of Allegations filed by Staff of the Commission on March 27, 2018.

Take notice that Staff of the Commission has elected to proceed by way of the expedited procedure for a written hearing provided for by Rule 11(3) of the Commission's Rules of Procedure.

Staff must serve on you this Notice of Hearing, the Statement of Allegations, Staff's hearing brief containing all documents Staff relies on, and Staff's written submissions.

You have **21 days** from the date Staff serves these documents on you to file a request for an oral hearing, if you do not want to follow the expedited procedure for a written hearing.

Otherwise, you have **28 d**ays from the date Staff served these documents on you to file your hearing brief and written submissions.

REPRESENTATION

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

FAILURE TO ATTEND

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

FRENCH HEARING

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

AVIS EN FRANÇAIS

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

Dated at Toronto this 28th day of March, 2018

"Grace Knakowski"
Secretary to the Commission

For more information

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

IN THE MATTER OF
DAVID TUAN SENG LIM and
MICHAEL MUGFORD

STATEMENT OF ALLEGATIONS
(Subsections 127(1) and 127(10) of the *Securities Act*, RSO 1990 c S.5)

1. Staff of the Enforcement Branch (**Staff**) of the Ontario Securities Commission (the Commission) elect to proceed using the expedited procedure for inter-jurisdictional proceedings as set out in Rule 11(3) of the Commission's Rules of Procedure.

A. ORDER SOUGHT

2. Staff request that the Commission make the following inter-jurisdictional enforcement order, pursuant to paragraph 4 of subsection 127(10) of the Ontario *Securities Act*, RSO 1990 c S.5 (the **Act**):

   (a) against David Tuan Seng Lim (**Lim**) that:

      i. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities by Lim cease permanently, except that he may trade in securities and derivatives for his own account (including one RRSP account, one TFSA account and one RESP account) through a registered dealer, who has been given a copy of the Order of the British Columbia Securities Commission dated October 23, 2017 (the **BCSC Order**) and a copy of the Order of the Commission in this proceeding, if granted;

      ii. pursuant to paragraph 2.1 of subsection 127(1) of the Act, the acquisition of any securities by Lim cease permanently, except that he may purchase securities for his own account (including one RRSP account, one TFSA account and one RESP account) through a registered dealer, who has been given a copy of the BCSC Order and a copy of the Order of the Commission in this proceeding, if granted;

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

      iv. pursuant to paragraphs 7, 8.1 and 8.3 of subsection 127(1) of the Act, Lim resign any positions that he holds as a director or officer of any issuer, registrant or investment fund manager;

      v. pursuant to paragraphs 8, 8.2 and 8.4 of subsection 127(1) of the Act, Lim be permanently prohibited from becoming or acting as a director or officer of any issuer, registrant or investment fund manager, except that he may act as a director or officer of an issuer whose securities are solely owned by him or his immediate family members, namely Lim's spouse, parent, child, sibling, mother or father-in-law, son or daughter-in-law or brother or sister-in-law; and

      vi. pursuant to paragraph 8.5 of subsection 127(1) of the Act, Lim be permanently prohibited from becoming or acting as a registrant, investment fund manager or promoter;

   (b) against Michael Mugford (**Mugford**) that:

      i. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities by Mugford cease permanently, except that he may trade in securities and derivatives for his own account (including one RRSP account, one TFSA account and one RESP account) through a registered dealer, who has been given a copy of the BCSC Order and a copy of the Order of the Commission in this proceeding, if granted;

      ii. pursuant to paragraph 2.1 of subsection 127(1) of the Act, the acquisition of any securities by Mugford cease permanently, except that he may purchase for his own account (including one RRSP account, one TFSA account and one RESP account) through a registered dealer, who has been given a copy of the BCSC Order and a copy of the Order of the Commission in this proceeding, if granted;

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

iv. pursuant to paragraphs 7, 8.1 and 8.3 of subsection 127(1) of the Act, Mugford resign any positions that he holds as a director or officer of any issuer, registrant or investment fund manager;

v. pursuant to paragraphs 8, 8.2 and 8.4 of subsection 127(1) of the Act, Mugford be permanently prohibited from becoming or acting as a director or officer of any issuer, registrant or investment fund manager; and

vi. pursuant to paragraph 8.5 of subsection 127(1) of the Act, Mugford be permanently prohibited from becoming or acting as a registrant, investment fund manager or promoter;

(c) such other order or orders as the Commission considers appropriate.

B. FACTS

Staff make the following allegations of fact:

3. Lim and Mugford (collectively, the **Respondents**) are subject to the BCSC Order, which imposes sanctions, conditions, restrictions or requirements upon them.

4. The BCSC Order followed a decision of a panel of the BCSC (the **BCSC Panel**) dated June 5, 2017 finding that each of the Respondents engaged in market manipulation contrary to section 57(a) of the British Columbia Securities Act, RSBC 1996, c 418 (the **BC Act**).

(i) The BCSC Proceedings

5. Following a contested hearing on the merits, the BCSC Panel made the following findings of fact (the **Findings**).

Background

6. The conduct for which the Respondents were sanctioned occurred between November 4, 2009 and February 28, 2010 (the **Material Time**).

7. Lim is a resident of Vancouver, British Columbia and was registered under the BC Act as an investment advisor during the Material Time.

8. Mugford is a resident of Lions Bay, British Columbia. Mugford was Lim's client through a company owned by Mugford and was a business associate of Lim.

The Escrow Agreement

9. The BCSC Panel found that Lim and Mugford were two of the four principals to an Escrow Agreement (the **Escrow Agreement**) which set out the "road map" for the Respondents' subsequent manipulation of the market for shares of Urban Barns Foods Inc. (**Urban Barns**).

10. The key terms of the Escrow Agreement included the following:

- The parties were to be EHT Corporate Services SA (**EHT**), a Swiss wealth management firm, and four unnamed entities that were thereafter described in the agreement as the "principals";
- EHT was to act as the escrow agent under the Escrow Agreement;
- The principals were to deliver their shares in an unnamed shell company to EHT as escrow agent;
- The shell company shares were to be promoted;
- The escrow agent (upon being given instructions to do so) would sell the shares of the shell company; and
- The proceeds would be distributed to the principals after paying certain expenses.

11. The unnamed shell company referred to in the Escrow Agreement was Urban Barns (formerly known as HL Ventures Inc.). Most of the key terms of the Escrow Agreement were ultimately carried out, as described below.

Marketing Urban Barns

12. Lim provided direction and funding for an Urban Barns marketing campaign, which involved the publication of a tout sheet and a direct mailing campaign. The marketing campaign was conducted by CFM, a US direct marketer and tout sheet publisher for small public companies. CFM received approximately US $1.2 million for its promotion of Urban Barns.

13. The tout sheet materials contained promotional language, including claims that Urban Barns had "just solved the global food crisis," and that its shares would soon be worth $7 per share. At the time, Urban Barns had not conducted any operations or generated any revenues, had spent approximately US$12,000 on equipment and had no other material asset or unique proprietary technology.

14. Lim attempted to conceal his involvement in the marketing campaign by routing funding and instructions through a company known as EV. Mugford referred CFM to Urban Barns for the promotional campaign, reviewed early drafts of the tout sheet, and assisted in the payment of CFM.

Sale of Urban Barns Shares Beneficially Owned by the Principals to the Escrow Agreement

15. Between July 2009 and February 2010, 7.7 million shares of Urban Barns were routed through EHT to a custodial account at Brown Brothers Harriman & Co (**Brown Brothers**). These shares were beneficially owned by one or more of the four principals to the Escrow Agreement. Lim and Mugford were two of the four principals to the Escrow Agreement.

16. During the Material Time, 4,803,221 Urban Barns shares that had previously been deposited in the Brown Brothers custodial account were sold for proceeds of US$4,756,663.

17. At the outset of the promotional campaign, the only Urban Barns shares available for sale were those held in the Brown Brothers custodial account. This created a constraint on the supply side of the Urban Barns shares, which assisted in creating an artificial price for the securities.

Acquisition of Urban Barns Shares by Lim and his Clients

18. Lim and Mugford took steps to help create the initial demand for Urban Barns shares. On November 4, 2009, the first day that the shares of Urban Barns were traded, Lim purchased 20,000 shares of Urban Barns at US$0.85 per share through an offshore account. In the next few trading days, Lim purchased approximately 150,000 additional shares on behalf of his clients.

19. Mugford purchased 40,000 Urban Barns shares through Lim during the first days of the Material Time.

(ii) BCSC Findings – Conclusions

20. In its Findings, the BCSC Panel concluded that the Respondents contravened section 57(a) of the BC Act.

21. The BCSC Panel found that the Respondents created an artificial price for Urban Barns shares, and knew or reasonably ought to have known that the promotional campaign would result in an artificial price for the Urban Barns shares. The Respondents both participated in the creation of the Urban Barns promotional materials, which contained fabrications designed to trick the reader into believing that they were worth far more than they actually were. Moreover, the Respondents created an artificial demand for Urban Barns shares through the purchase of the securities by Lim and his clients, including Mugford, at the outset of the promotional campaign, and created constraints on the supply side that assisted in creating an artificial price for Urban Barns shares.

(iii) The BCSC Order

22. The BCSC Order imposed the following sanctions, conditions, restrictions or requirements upon the Respondents:

    Lim

    i. under sections 161(d)(i) and (ii) of the BC Act, that Lim resign any position that he holds as a director or officer of any issuers or registrant, and is permanently prohibited from becoming or acting as a director or officer of any issuer or registrant, except that he may act as a director or officer of an issuer whose securities are solely owned by him or his immediate family members (being: Lim's spouse, parent, child, sibling, mother or father-in-law, son or daughter-in-law or brother or sister-in-law);

    ii. under sections 161(1)(b), (c) and (d)(iii) to (v) of the BC Act:

a. that Lim cease trading in, and is permanently prohibited from trading in or purchasing securities, except that he may trade and purchase securities or exchange contracts for his own account (including one RRSP account, one TFSA account and one RESP account) through a registered dealer, if he gives the registered dealer a copy of the BCSC Order;

b. any and all exemptions set out in the BC Act, the regulations or a decision permanently do not apply to Lim;

c. that Lim is permanently prohibited from becoming or acting as a registrant or promoter;

d. that Lim is permanently prohibited from acting in a management or consultative capacity in connection with activities in the securities market;

e. that Lim is permanently prohibited from engaging in investor relations; and

iii. Lim pay to the BCSC an administrative penalty of $800,000 under section 162 of the BC Act;

Mugford

i. under sections 161(d)(i) and (ii) of the BC Act, Mugford resign any position that he holds as a director or officer of any issuer or registrant, and is permanently prohibited from becoming or acting as a director or officer of any issuer or registrant;

ii. under sections 161(1)(b), (c) and (d)(iii) to (v) of the BC Act:

a. that Mugford cease trading in, and is permanently prohibited from trading in or purchasing securities, except that he may trade and purchase securities or exchange contracts for his own account (including one RRSP account, one TFSA account and one RESP account) through a registered dealer, if he gives the registered dealer a copy of the BCSC Order;

b. any and all exemptions set out in the BC Act, the regulations or a decision permanently do not apply to Mugford;

c. that Mugford is permanently prohibited from becoming or acting as a registrant or promoter;

d. that Mugford is permanently prohibited from acting in a management or consultative capacity in connection with activities in the securities market;

e. that Mugford is permanently prohibited from engaging in investor relations; and

iii. Mugford pay to the BCSC an administrative penalty of $375,000 under section 162 of the BC Act.

C. JURISDICTION OF THE ONTARIO SECURITIES COMMISSION

23. The Respondents are subject to an order of the BCSC imposing sanctions, conditions, restrictions or requirements upon them.

24. Pursuant to paragraph 4 of subsection 127(10) of the Act, an order made by a securities regulatory authority, derivatives regulatory authority or financial regulatory authority, in any jurisdiction, that imposes sanctions, conditions, restrictions or requirements on a person or company may form the basis for an order in the public interest made under subsection 127(1) of the Act.

25. Staff allege that it is in the public interest to make an order against the Respondents.

26. Staff reserve the right to amend these allegations and to make such further and other allegations as Staff deem fit and the Commission may permit.

DATED at Toronto this 27th day of March, 2018.

Christina Galbraith
Litigation Counsel
Enforcement Branch

LSUC #70892W
Tel: (416) 596-4298
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Email: cgalbraith@osc.gov.on.ca

1.3.2 Martin Bernholtz – ss. 127(1), 127.1

FILE NO.: 2018-16

IN THE MATTER OF
MARTIN BERNHOLTZ

NOTICE OF HEARING
Subsection 127(1) and Section 127.1 of the *Securities Act*, RSO 1990, c S.5

PROCEEDING TYPE: Enforcement Proceeding

HEARING DATE AND TIME: April 27, 2018 at 10:00 a.m.

LOCATION: 20 Queen Street West, 17th Floor, Toronto, Ontario

PURPOSE

The purpose of this proceeding is to consider whether it is in the public interest for the Commission to make the order(s) requested in the Statement of Allegations filed by Staff of the Commission on March 28, 2018.

The hearing set for the date and time indicated above is the first attendance in this proceeding, as described in subsection 5(1) of the Commission's *Practice Guideline*.

REPRESENTATION

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

FAILURE TO ATTEND

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

FRENCH HEARING

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

AVIS EN FRANÇAIS

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

Dated at Toronto this 29th day of March, 2018.

"Grace Knakowski"
Secretary to the Commission

For more information

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

IN THE MATTER OF
MARTIN BERNHOLTZ

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

A. ORDER SOUGHT

Staff of the Enforcement Branch (**"Staff"**) of the Ontario Securities Commission (the **"Commission"**) request that the Commission make the following orders:

1. that trading in any securities or derivatives by Martin Bernholtz (the **"Respondent"** or **"Bernholtz"**), cease permanently or for such period as is specified by the Commission, pursuant to paragraph 2 of subsection 127(1) of the *Securities Act*, RSO 1990, c S.5 (the **"Act"**);

2. that the acquisition of any securities by the Respondent is prohibited permanently or for such period as is specified by the Commission, pursuant to paragraph 2.1 of subsection 127(1) of the Act;

3. that any exemptions contained in Ontario securities law do not apply to the Respondent permanently or for such period as is specified by the Commission, pursuant to paragraph 3 of subsection 127(1) of the Act;

4. that the Respondent be reprimanded, pursuant to paragraph 6 of subsection 127(1) of the Act;

5. that the Respondent resign any position he holds as a director or officer of an issuer pursuant to paragraph 7 of subsection 127(1) of the Act;

6. that the Respondent be prohibited from being or acting as a director or officer permanently or for such period as is specified by the Commission, pursuant to paragraph 8 of subsection 127(1) of the Act;

7. that the Respondent be prohibited from becoming or acting as a registrant, as an investment fund manager or as a promoter, pursuant to paragraph 8.5 of subsection 127(1) of the Act;

8. that the Respondent pay an administrative penalty of not more than $1 million for each failure by the Respondent to comply with Ontario securities law, pursuant to paragraph 9 of subsection 127(1) of the Act;

9. that the Respondent disgorge to the Commission any amounts obtained as a result of non-compliance with Ontario securities law, pursuant to paragraph 10 of subsection 127(1) of the Act;

10. that the Respondent pay the costs of the Commission investigation and the hearing, pursuant to section 127.1 of the Act; and

11. such other order as the Commission considers appropriate in the public interest.

B. FACTS

Staff make the following allegations of fact:

(i) Regulatory Message

12. It is essential to the integrity of Ontario's capital markets that directors of public companies exhibit the highest standard of ethical conduct. This case involves a director of a publicly traded company who traded shares of the company while possessed of non-public material information respecting the company. Ensuring that directors and insiders of public companies comply with requirements respecting non-public material information is a primary means of achieving the purposes of securities regulation.

(ii) Allegations

13. Staff allege that between January 29, 2016 and March 28, 2016 (the **"Material Time"**), the Respondent, being a person in a special relationship with an issuer, Titan Medical Inc. (**"Titan"**), sold securities of Titan with knowledge of a material fact or material change with respect to Titan that had not been generally disclosed contrary to subsection 76(1) of the Act.

(iii) Background

Titan

14. Titan is a public company incorporated in Ontario.

15. The shares of Titan are listed on the Toronto Stock Exchange under the symbol "TMD".

16. Titan's primary business is the design, development and commercialization of new robotic surgical technologies.

Martin Bernholtz

17. Bernholtz is a resident of Markham, Ontario.

18. Bernholtz has been a director of Titan since July 2008.

19. Titan generates no revenue and relies on the public offering of its common shares and warrants in order to fund its development process.

20. The Board of Directors of Titan (the **"Board"**) receives notice of anticipated public offerings in advance.

21. Having been a director of Titan since 2008, Bernholtz was aware during the Material Time that an announcement of a public offering would result in significant decrease in the price of shares of Titan.

(iv) February 2016 Offering

22. On January 29, 2016, Bernholtz and other members of the Board were advised by Stephen Randall, the Chief Financial Officer of Titan, of a public offering that was planned to "commence as early as Tuesday, February 2 but no later than Thursday, February 11".

23. On February 1, 2016, Bernholtz sold 110,400 Titan shares at share prices of $1.34 to $1.39 for total proceeds of $147,973.32.

24. On February 3, 2016, the share price of Titan opened at $1.54. At 3:55 p.m., Titan issued a press release announcing an overnight marketed public offering (the **"February 2016 Offering"**), comprised of its common shares and common share purchase warrants. The share price of Titan closed at $1.45 at the end of the trading day.

25. On February 5, 2016, the company publicly released further details of the February 2016 Offering. The share price of Titan opened at $0.88. At 10:08 a.m., Titan issued a press release announcing that the February 2016 Offering would consist of 8,888,889 units issued at a price of $0.90 per unit for aggregate proceeds of $8,000,000. Each unit would consist of one common share and one common share purchase warrant, which would be exercisable to purchase one common share at a price of $1.00 for a period of five years after the public offering. The share price of Titan closed at $0.80 at the end of the trading day.

26. The average share price of Titan in the 20-trading day period from February 3 to March 2, 2016, inclusive, was $0.84.

27. Information regarding the February 2016 Offering had not been generally disclosed prior to the press releases on February 3 and February 5, 2016.

28. On February 11, 2016, Bernholtz purchased 200,000 Titan units at the price of $0.90 per unit pursuant to the February 2016 Offering.

29. By selling shares of Titan on February 1, 2016 with knowledge of the February 2016 Offering that had not been generally disclosed, Bernholtz avoided losses of $55,237.32.

(v) March 2016 Offering

30. On March 16, 2016, Bernholtz attended a meeting of the Board where the Board was advised of a public offering that was planned to commence "[l]ate this week or early week of March 21, 2016".

31. On March 17, 2016, Bernholtz sold 22,200 Titan shares at the share price of $1.36 for total proceeds of $30,192.

32. On March 18, 2016, Bernholtz further sold 12,800 Titan shares at the share price of $1.23 for total proceeds of $15,744.

33. On March 21, 2016, Bernholtz further sold 233,900 Titan shares at share prices of $1.08 to $1.20 for total proceeds of $271,489.

34. On March 21, 2016, the share price of Titan closed at $1.08. After the market closed, Titan issued a press release announcing its intention to undertake an overnight marketed public offering (the **"March 2016 Offering"**), comprised of its common shares and common share purchase warrants.

35. On March 22, 2016, before the market opened, Titan issued a further press release announcing that the March 2016 Offering would consist of units issued at a price of $1.00 per unit. Each unit would consist of one common share and one common share purchase warrant, which would be exercisable to purchase one common share at a price of $1.20 for a period of five years after the public offering. The share price of Titan on March 22, 2016 opened at $0.85 and closed at $0.92.

36. The average share price of Titan in the 20-trading day period from March 22 to April 19, 2016 was $0.89.

37. Information regarding the March 2016 Offering had not been generally disclosed prior to the press releases on March 21 and March 22, 2016.

38. On March 28, 2016, Bernholtz purchased 400,000 Titan units at the price of $1.00 per unit pursuant to the March 2016 Offering.

39. By selling Titan shares on March 17, 18 and 21, 2016, with knowledge of the March 2016 Offering that had not been generally disclosed, Bernholtz avoided losses of $78,104.

(vi) Titan Insider Trading Policy

40. Titan's Insider Trading Policy (the **"Insider Trading Policy"**) prohibited directors, officers and employees of Titan from buying or selling securities of Titan while in possession of undisclosed material information. The policy also provided that "Reporting Insiders must not" trade Titan's securities without the prior approval of Titan's Chief Financial Officer and required that a "Reporting Insider" must provide an insider report to Titan to reflect any change in beneficial ownership of Titan's securities.

41. During the Material Time, Bernholtz was aware of the Insider Trading Policy and the fact that it applied to him.

42. Bernholtz failed to seek the approval of the Chief Financial Officer of Titan prior to selling shares of Titan during the Material Time. Similarly, Bernholtz failed to provide an insider report to Titan to reflect the change in beneficial ownership of Titan securities during the Material Time.

C. BREACH OF S. 76(1) AND CONDUCT CONTRARY TO THE PUBLIC INTEREST

Staff allege the following breach of Ontario Securities law:

43. By purchasing Titan shares during the Material Time, the Respondent engaged in illegal insider trading contrary to subsection 76(1) of the Act and, therefore acted contrary to the public interest.

44. Staff reserve the right to make such other allegation as Staff may advise and the Commission may permit.

DATED at Toronto, March 28, 2018.

1.5 Notices from the Office of the Secretary

1.5.1 David Tuan Seng Lim and Michael Mugford

FOR IMMEDIATE RELEASE
March 28, 2018

DAVID TUAN SENG LIM and
MICHAEL MUGFORD,
File No. 2018-14

TORONTO – The Office of the Secretary issued a Notice of Hearing pursuant to Subsections 127(1) and 127(10) of the *Securities Act*.

A copy of the Notice of Hearing dated March 28, 2018 and Statement of Allegations of Staff of the Ontario Securities Commission dated March 27, 2018 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)

1.5.2 Martin Bernholtz

FOR IMMEDIATE RELEASE
March 29, 2018

MARTIN BERNHOLTZ,
File No. 2018-16

TORONTO – The Office of the Secretary issued a Notice of Hearing on March 29, 2018 setting the matter down to be heard on April 27, 2018 at 10:00 a.m. or as soon thereafter as the hearing can be held in the above named matter. The hearing will be held at the offices of the Commission at 20 Queen Street West, 17th Floor, Toronto.

A copy of the Notice of Hearing dated March 29, 2018 and Statement of Allegations of Staff of the Ontario Securities Commission dated March 28, 2018 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)

1.5.3 Brian Michael Sutton and Investment Industry Regulatory Organization of Canada

FOR IMMEDIATE RELEASE
April 2, 2018

BRIAN MICHAEL SUTTON and
INVESTMENT INDUSTRY REGULATORY
ORGANIZATION OF CANADA,
File Nos. 2017-37 and 2018-10

TORONTO – The Commission issued an Order in the above named matters.

A copy of the Order dated April 2, 2018 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:

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

1.5.4 Miles S. Nadal

FOR IMMEDIATE RELEASE
April 2, 2018

MILES S. NADAL,
File No. 2017-77

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

A copy of the Order dated April 2, 2018 is available at www.osc.gov.on.ca.

OFFICE OF THE SECRETARY
GRACE KNAKOWSKI
SECRETARY TO THE COMMISSION

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Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 Arkema S.A.

Headnote

Dual application for Exemptive Relief Applications – Application for relief from the prospectus and registration requirements for certain trades made in connection with an employee share offering by a French issuer – The issuer cannot rely on the employee exemption in section 2.24 of Regulation 45-106 respecting prospectus and registration exemptions as the securities are not being offered to Canadian employees directly by the issuer but rather through special purpose entities – Canadian participants will receive disclosure documents – The special purpose entities are subject to the supervision of the local securities regulator – Canadian employees will not be induced to participate in the offering by expectation of employment or continued employment – There is no market for the securities of the issuer in Canada – The number of Canadian participants and their share ownership are de minimis – Relief granted, subject to conditions – 5 year sunset clause.

Applicable Legislative Provisions

Sections 11, 148 and 263 of the Securities Act (Québec).
Section 2.24 of the Regulation 45-106 respecting Prospectus Exemptions.
Section 8.16 of the Regulation 31-103 respecting Registration Requirements and Exemptions.
Section 2.14 of Regulation 45-102 respecting Resale of Securities.

TRANSLATION

March 6, 2018

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
ARKEMA S.A.
(THE FILER)

DECISION

Background

The securities regulatory authority or regulator in each of the Jurisdictions (the **Decision Maker**) has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the **Legislation**) for:

1. an exemption from the prospectus requirement (the **Prospectus Relief**) so that such requirement does not apply to

   (a) trades of:

      (i) units (the **2018 Classic Units**) of a temporary fonds commun de placement d'entreprise or "FCPE", a form of collective shareholding vehicle commonly used in France for the conservation of shares held

by employee-investors named Arkema Actionnariat International Relais 2018 (the **2018 Classic Fund**); and

(ii) units (together with the 2018 Classic Units, the Temporary Classic Units, and together with the 2018 Classic Units, the Matching Units (as defined below) and the Principal Classic Units (as defined below), the Units) of future temporary FCPEs organized in the same manner as the 2018 Classic Fund (together with the 2018 Classic Fund, the Temporary Classic Funds),

made under the Employee Offering (as defined below) to or with Qualifying Employees (as defined below) resident in the Jurisdictions (collectively, the **Canadian Employees**, and Canadian Employees who subscribe for Temporary Classic Units, the **Canadian Participants**);

(b) trades of ordinary shares of the Filer (the Shares) by the Classic Fund to or with Canadian Participants upon the redemption of Units as requested by Canadian Participants (the term **"Classic Fund"** used herein means, prior to the Merger (as defined below), a Temporary Classic Fund and, following the Merger, an FCPE named Arkema Actionnariat International (the **Principal Classic Fund**)); and

2. an exemption from the dealer registration requirement (the **Registration Relief**, and together with the Prospectus Relief, the **Exemption Sought**) so that such requirement does not apply to the Filer and its Local Related Entities (as defined below), the Classic Fund and Amundi Asset Management (the **Management Company**) in respect of:

(a) trades in Units made pursuant to an Employee Offering to or with Canadian Employees; and

(b) trades in Shares by the Classic Fund to or with Canadian Participants upon the redemption of Units as requested by Canadian Participants.

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

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

(b) 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, Regulation 11-102 respecting Passport System* and *Regulation 45-106 respecting Prospectus Exemptions* (**Regulation 45-106**) 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:

1. The Filer is a corporation formed under the laws of France. It is not, and has no current intention of becoming, a reporting issuer under the securities legislation of any jurisdiction of Canada. The head office of the Filer is located in France and the Shares are listed on Euronext Paris.

2. The Filer carries on business in Canada through certain related entities and has established a global employee share offering (the **2018 Employee Offering**) and expects to establish subsequent global employee share offerings of the Filer following 2018 for the next four years that are substantially similar (**Subsequent Employee Offerings**, and together with the 2018 Employee Offering, the **Employee Offerings**) for its Qualifying Employees and the Qualifying Employees of its participating related entities, including related entities that employ Canadian Employees (**Local Related Entities**, and together with the Filer and other related entities of the Filer, the **Arkema Group**). Each of the Local Related Entities is a direct or indirect controlled subsidiary of the Filer and no Local Related Entity has any current intention of becoming a reporting issuer under the securities legislation of any jurisdiction of Canada. The head office of the Arkema Group in Canada is located in Québec and the greatest number of employees in the Arkema Group in Canada reside in Québec.

3. As of the date hereof, "Local Related Entities" include Arkema Canada Inc. and Bostik Canada Ltd. For any Subsequent Employee Offering, the list of "Local Related Entities" may change.

4. Each Employee Offering will be made under the terms as set out herein and for greater certainty, all of the representations will be true for each Employee Offering other than paragraphs 3, 11, 24 and 28 which may change

(save for references to the 2018 Classic Fund and the 2018 Employee Offering which will be varied such that they are read as references to the relevant Temporary Classic Fund and Subsequent Employee Offering, respectively).

5. As of the date hereof and after giving effect to any Employee Offering, Canadian residents do not and will not beneficially own more than 10% of the Shares (which term, for the purposes of this paragraph, is deemed to include all Shares held by the Classic Fund on behalf of Canadian Participants) issued and outstanding, and do not and will not represent in number more than 10% of the total number of holders of the Shares as shown on the books of the Filer.

6. Each Employee Offering involves an offering of Shares to be acquired through a Temporary Classic Fund, which will be merged with the Principal Classic Fund following completion of the Employee Offering (the **Classic Plan**), subject to the decision of the supervisory board of the FCPE and the approval of the French AMF (as defined below).

7. Only persons who are employees of an entity forming part of the Arkema Group during the subscription period for an Employee Offering and who meet other employment criteria (the **Qualifying Employees**) will be allowed to participate in the relevant Employee Offering.

8. The 2018 Classic Fund was established for the purpose of implementing the 2018 Employee Offering. The Principal Classic Fund was established for the purpose of implementing the Employee Offering generally. There is no current intention for any of the 2018 Classic Fund or the Principal Classic Fund to become a reporting issuer under the securities legislation of any jurisdiction of Canada. There is no current intention for any Temporary Classic Fund that will be established for the purpose of implementing Subsequent Employee Offerings to become a reporting issuer under the securities legislation of any jurisdiction of Canada.

9. The 2018 Classic Fund and the Principal Classic Fund are FCPEs and are registered with, and approved by, the French Autorité des marchés financiers (the **French AMF**). It is expected that each Temporary Classic Fund established for Subsequent Employee Offerings will be an FCPE and will be registered with, and approved by, the French AMF.

10. Under the Classic Plan, each Employee Offering will be made as follows:

    (a) Canadian Participants will subscribe for the relevant Temporary Classic Units, and the relevant Temporary Classic Fund will then subscribe for Shares on behalf of Canadian Participants at a subscription price that is the Canadian dollar equivalent of the average opening price of the Shares (expressed in Euros) on Euronext Paris for the 20 trading days preceding the date of the fixing of the subscription price (the **Reference Price**) by the chief executive officer of the Filer, less a specified discount to the Reference Price.

    (b) The Temporary Classic Fund will apply the cash received from the Canadian Participants to subscribe for Shares from the Filer.

    (c) Initially, the Shares subscribed for will be held in the relevant Temporary Classic Fund and the Canadian Participants will receive Units of the relevant Temporary Classic Fund, including Matching Shares (as defined below).

    (d) After completion of an Employee Offering, the relevant Temporary Classic Fund will be merged with the Principal Classic Fund (subject to the approval of the supervisory board of the FCPEs and the French AMF). The Temporary Classic Units held by Canadian Participants will be replaced with units of the Principal Classic Fund (the **Principal Classic Units**) on a pro rata basis and the Shares will be held in the Principal Classic Fund (such transaction being referred to as the **Merger**). The Filer is relying on the exemption from the prospectus requirement pursuant to section 2.11 of Regulation 45-106 in respect of the issuance of Principal Classic Units to Canadian Participants in connection with the Merger.

    (e) The Units (other than Matching Units) will be subject to a hold period of approximately five years (the **Lock-Up Period**), subject to certain exceptions provided for under French law and adopted under the Classic Plan in Canada (such as death, disability, retirement or termination of employment).

    (f) Any dividends paid on the Shares held in the Classic Fund will be contributed to the Classic Fund and used to purchase additional Shares. To reflect this reinvestment, new Units (or fractions thereof) will be issued to the Canadian Participants.

    (g) At the end of the relevant Lock-Up Period, a Canadian Participant may (i) request the redemption of Units in the Classic Fund in consideration for the underlying Shares or a cash payment equal to the then market value of the Shares, or (ii) continue to hold Units in the Classic Fund and request the redemption of those Units at a

later date in consideration for the underlying Shares or a cash payment equal to the then market value of the Shares.

(h) In the event of an early redemption resulting from a Canadian Participant exercising one of the exceptions to the Lock-Up Period and meeting the applicable criteria, a Canadian Participant may request the redemption of Units in the Classic Fund in consideration for a cash payment equal to the then market value of the underlying Shares.

(i) In addition, each Employee Offering provides that the Filer will also contribute additional Shares (**Matching Shares**) into the Classic Plan, for the benefit of, and at no cost to, eligible Canadian Participants, subject to the condition in paragraph 10(j) described below being satisfied.

(j) The right to receive Matching Shares is subject to a Canadian Participant's continued employment (subject to certain exceptions, such as death, disability, termination without cause, retirement or divestiture) with an entity forming part of the Arkema Group for a period of four years from the date that the Shares and Units are issued pursuant to the relevant Employee Offering (the **Vesting Period**). If this condition is satisfied, Matching Shares will be delivered by the Filer to the Classic Fund on behalf of the Canadian Participant. In order to reflect this, new Units (**Matching Units**) of the Classic Fund will be issued to the Canadian Participants at the end of the relevant Vesting Period.

(k) Matching Units are not subject to the Lock-Up Period. Following the issuance of Matching Units, a Canadian Participant may (i) request the redemption of Matching Units in consideration for the underlying shares or a cash payment equal to the then market value of the Matching Shares, or (ii) continue to hold the Matching Units in the Classic Fund and request the redemption of the Matching Units at a later date in consideration for the underlying Matching Shares or a cash payment equal to the then market value of the Matching Shares.

11. For the 2018 Employee Offering, for each subscription of four Shares that a Canadian Participant makes into the Classic Plan, the Filer will contribute one additional Matching Share into the Classic Plan, for the benefit of, and at no cost to, such Canadian Participant, up to a maximum of 25 Matching Shares, subject to the vesting requirements described above. For each Subsequent Employee Offering, the matching contribution rules may change.

12. The subscription price for an Employee Offering will not be known to Canadian Employees until after the end of the applicable subscription period. However, this information will be provided to Canadian Employees prior to the start of the revocation period, during which Canadian Participants may choose to revoke all (but not part) of their subscription under the Classic Plan and thereby not participate in the relevant Employee Offering.

13. Under French law, an FCPE is a limited liability entity. The portfolio of the Classic Fund will consist almost entirely of Shares and may also include, from time to time, cash in respect of dividends paid on the Shares which will be reinvested in Shares as discussed above and cash or cash equivalents pending investments in the Shares and for the purposes of Unit redemptions.

14. Only Qualifying Employees will be allowed to hold Units issued pursuant to an Employee Offering.

15. The Management Company is a portfolio management company governed by the laws of France. The Management Company is registered with the French AMF as an investment manager and complies with the rules of the French AMF. To the best of the Filer's knowledge, the Management Company is not, and has no current intention of becoming, a reporting issuer under the securities legislation of any jurisdiction of Canada.

16. The Management Company's portfolio management activities in connection with an Employee Offering and the Classic Fund are limited to purchasing Shares from the Filer, selling such Shares as necessary in order to fund redemption requests and investing available cash in cash equivalents.

17. The Management Company is also responsible for preparing accounting documents and publishing periodic informational documents as provided by the rules of the Classic Fund. The Management Company's activities do not affect the underlying value of the Shares.

18. None of the Filer or its Local Related Entities, the Classic Fund or the Management Company is currently in default of securities legislation of any jurisdiction of Canada.

19. Shares issued pursuant to an Employee Offering will be deposited in the Classic Fund through CACEIS Bank (the **Depositary**), a large French commercial bank subject to French banking legislation. The Depositary carries out orders to purchase, trade and sell securities in the portfolio and takes all necessary action to allow the Classic Fund to exercise the rights relating to the securities held in its portfolio.

20. All management charges relating to the Classic Fund will be paid from the assets of the Classic Fund or by the Filer, as provided in the regulations of the Classic Fund. The Management Company is obliged to act in the best interests of Canadian Participants and is liable to them, jointly and severally with the Depositary, for any violation of the rules and regulations governing the Classic Fund, any violation of the rules of the Classic Fund, or for any self-dealing or negligence.

21. The Unit value of the Classic Fund will be calculated and reported to the French AMF on a regular basis, based on the net assets of the Classic Fund divided by the number of Units outstanding. The value of the Units will be based on the value of the underlying Shares, but the number of Units of the Classic Fund will not correspond to the number of the underlying Shares (e.g., dividends will be reinvested in additional Shares and increase the value of each Unit).

22. Participation in an Employee Offering is voluntary, and Canadian Employees will not be induced to participate in an Employee Offering by expectation of employment or continued employment.

23. The total amount that may be invested by a Canadian Employee in an Employee Offering cannot exceed the lesser of (i) T25% of his or her gross annual compensation for the relevant calendar year, and (ii) the subscription price for 1,000 Shares. The value of the Matching Shares is not included in this calculation. The amounts invested by the Filer with respect to the Matching Shares will not be included in the maximum amount that a Canadian Employee may invest.

24. For the 2018 Employee Offering, annual compensation includes the employee's gross base salary, bonus and/or overtime paid between January 1, 2018 and December 31, 2018.

25. None of the Filer or its Local Related Entities, the Classic Fund or the Management Company or any of their employees, directors, officers, agents or representatives will provide investment advice to the Canadian Employees with respect to an investment in the Shares or Units.

26. Canadian Employees will receive an information package in the French or English language, according to their preference, which will include a summary of the terms of the relevant Employee Offering and a description of the relevant Canadian income tax consequences of subscribing for and holding Units in consideration for cash or Shares of the Classic Fund and the redemption of such Units at the end of the applicable Lock-Up Period. Canadian Employees will also have access to the Filer's French *Document de Référence* filed with the French AMF in respect of the Shares and a copy of the rules of the relevant Temporary Classic Fund and the Principal Classic Fund (which are analogous to company by-laws) by visiting the website www.ake2018.com. Canadian Employees will also have access to the continuous disclosure materials relating to the Filer that are furnished to holders of the Shares.

27. Canadian Participants will receive an initial statement of their holdings under the Classic Plan, together with an updated statement at least once per year.

28. For the 2018 Employee Offering, there are approximately 84 Canadian Employees resident in the provinces of Québec and Ontario, who represent, in the aggregate, less than 1% of the total number of employees in the Arkema Group worldwide.

29. The Shares and Units are not currently listed for trading on any stock exchange in Canada and there is no intention to have the Shares or the Units so listed. As there is no market for the Shares or Units in Canada, and as none is expected to develop, any first trades of Shares or Units by Canadian Participants will be effected through the facilities of, and in accordance with, the rules and regulations of an exchange outside of Canada.

Decision

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

The decision of the Decision Makers under the Legislation is that the Exemption Sought is granted on the following conditions:

1. with respect to the 2018 Employee Offering, the prospectus requirement will apply to the first trade in any Units or Shares acquired by Canadian Participants pursuant to this decision unless the following conditions are met:

    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% of the outstanding securities of the class or series, and

ii) did not represent in number more than 10% of the number of owners, directly or indirectly, of securities of the class or series; and

c) the first trade is made:

i) through an exchange, or a market, outside of Canada, or

ii) to a person or company outside of Canada; and

2. with respect to any Subsequent Employee Offering under this decision completed within five years from the date of this decision unless the following conditions are met:

i) the representations other than those in paragraphs 3, 11, 24 and 28 remain true and correct with the necessary adaptations in respect of that Subsequent Employee Offering, and

ii) the conditions set out in paragraph 1 apply, with the necessary adaptations, to any such Subsequent Employee Offering.

“Lucie J. Roy”
Directrice principale du financement des sociétés
KBE/mlo

2.1.2 Brompton Funds Limited

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions –relief to permit exchange-traded mutual fund prospectus to omit an underwriter's certificate – relief from take-over bid requirements for normal course purchases of securities on the TSX –relief granted to facilitate the offering of exchange-traded mutual funds.

Applicable Legislative Provisions

Securities Act (Ontario) – R.S.O. 1990, c. S. 5, as am., sections 59(1) and 147.
National Instrument 62-104 Take-Over Bids and Issuer Bids, Part 2 and section 6.1.

March 27, 2018

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
BROMPTON FUNDS LIMITED
(the Filer)

AND

TECH LEADERS INCOME ETF,
GLOBAL HEALTHCARE INCOME & GROWTH ETF
(together, the PROPOSED ETFs)

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filer on behalf of the Proposed ETFs and any additional exchange-traded mutual funds (the Future ETFs, and, together with the Proposed ETFs, the ETFs and individually, an ETF) established in the future for which the Filer is the manager, for a decision under the securities legislation of the Jurisdiction of the principal regulator (the Legislation) that:

(a) exempts the Filer and each ETF from the requirement to include a certificate of an underwriter in an ETF's prospectus (**the Underwriter's Certificate Requirement**); and

(b) exempts a person or company purchasing Listed Securities (as defined below) in the normal course through the facilities of the TSX (as defined below) or another Marketplace (as defined below) from the Take-over Bid Requirements (as defined below)

(collectively, the Exemption 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 all of the provinces and territories of Canada other than the Jurisdiction (together with the Jurisdiction, the **Jurisdictions**).

Interpretation

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

Affiliate Dealer means a registered dealer that is an affiliate of an Authorized Dealer or Designated Broker and that participates in the re-sale of Creation Units (as defined below) from time to time.

Authorized Dealer means a registered dealer that has entered, or intends to enter, into an agreement with the manager of an ETF authorizing the dealer to subscribe for, purchase and redeem Creation Units from one or more ETFs on a continuous basis from time to time.

Designated Broker means a registered dealer that has entered, or intends to enter, into an agreement with the manager of an ETF to perform certain duties in relation to the ETF, including the posting of a liquid two-way market for the trading of the ETF's Listed Securities on the TSX or another Marketplace.

ETF Facts means a prescribed summary disclosure document required in respect of one or more classes or series of Listed Securities being distributed under a prospectus.

Jurisdictions means each of the provinces and territories of Canada.

Marketplace means a "marketplace" as defined in National Instrument 21-101 Marketplace Operations that is located in Canada.

NI 81-102 means National Instrument 81-102 – *Investment Funds*.

Other Dealer means a registered dealer that acts as authorized dealer or designated broker to exchange-traded funds that are not managed by the Filer and that has received relief under a Prospectus Delivery Decision.

Prescribed Number of Listed Securities means the number of Listed Securities of an ETF determined by the Filer from time to time for the purpose of subscription orders, exchanges, redemptions or for other purposes.

Prospectus Delivery Decision means a decision granting relief from the Prospectus Delivery Requirement to a Designated Broker, Authorized Dealer, Affiliate Dealer or Other Dealer dated August 24, 2015 and any subsequent decision granted to a Designated Broker, Authorized Dealer, Affiliate Dealer or Other Dealer that grants similar relief.

Prospectus Delivery Requirement means the requirement that a dealer, not acting as agent of the purchaser, who receives an order or subscription for a security offered in a distribution to which the prospectus requirement of the Legislation applies, send or deliver to the purchaser or its agent, unless the dealer has previously done so, the latest prospectus and any amendment either before entering into an agreement of purchase and sale resulting from the order or subscription, or not later than midnight on the second business day after entering into that agreement.

Securityholders means beneficial or registered holders of Listed Securities or Unlisted Securities (as defined below), as applicable.

Take-over Bid Requirements means the requirements of National Instrument 62-104 – Take-Over Bids and Issuer Bids relating to take-over bids, including the requirement to file a report of a take-over bid and to pay the accompanying fee, in each Jurisdiction.

TSX means the Toronto Stock Exchange.

Representations

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

The Filer

1. The Filer is a corporation incorporated under the laws of the Province of Ontario, with its head office located at 181 Bay St., Suite 2930, Toronto, Ontario.

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

3. The Filer will be the investment fund manager and portfolio manager of the Proposed ETFs. The Filer will be the investment fund manager of the Future ETFs and may be the portfolio manager of the Future ETFs

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

The ETFs

5. Each Proposed ETF will be a mutual fund structured as a trust that is governed by the laws of the Province of Ontario. The Future ETFs will be either trusts or corporations or classes thereof governed by the laws of a Jurisdiction. Each ETF will be a reporting issuer in the Jurisdiction(s) in which its securities are distributed.

6. Subject to any exemptions that have been, or may be, granted by the applicable securities regulatory authorities, each ETF will be an open-ended mutual fund subject to NI – 81-102 and Securityholders of each ETF will have the right to vote at a meeting of Securityholders in respect of matters prescribed by NI 81-102.

7. Each ETF may issue more than one class of securities, including, but not limited to:

   a. a class of securities distributed pursuant to a long form prospectus prepared pursuant to National Instrument 41-101 General Prospectus Requirements (**NI 41-101**) and Form 41-101F2 *Information Required in an Investment Fund Prospectus* that is listed on the TSX or another Marketplace (**Listed Securities**); and

   b. a class of securities offered only on a private placement basis pursuant to available prospectus exemptions, including the accredited investor exemption, under securities laws (**Unlisted Securities**).

8. The Listed Securities will be listed on the TSX or another Marketplace.

9. The Filer has filed, or will file, a long form prospectus prepared in accordance with NI 41-101 in respect of the Listed Securities of the ETFs, subject to any exemptions that may be granted by the applicable securities regulatory authorities.

10. Listed Securities will be distributed on a continuous basis in one or more of the Jurisdictions under a prospectus. Listed Securities may generally only be subscribed for or purchased directly from the ETFs (Creation Units) by Authorized Dealers or Designated Brokers. Generally, subscriptions or purchases may only be placed for a Prescribed Number of Listed Securities (or a multiple thereof) on any day when there is a trading session on the TSX or other Marketplace. Authorized Dealers or Designated Brokers subscribe for Creation Units for the purpose of facilitating investor purchases of Listed Securities on the TSX or another Marketplace.

11. In addition to subscribing for and re-selling Creation Units, Authorized Dealers, Designated Brokers and Affiliate Dealers will also generally be engaged in purchasing and selling Listed Securities of the same class as the Creation Units in the secondary market. Other Dealers may also be engaged in purchasing and selling Listed Securities of the same class or series as the Creation Units in the secondary market despite not being an Authorized Dealer, Designated Broker or Affiliate Dealer

12. Each ETF will appoint, at any given time, a Designated Broker to perform certain other functions, which include standing in the market with a bid and ask price for Listed Securities for the purpose of maintaining liquidity for the Listed Securities.

13. Except for Authorized Dealer and Designated Broker subscriptions for Creation Units, as described above, and other distributions that are exempt from the Prospectus Delivery Requirement under the Legislation, Listed Securities generally will not be able to be purchased directly from an ETF. Investors are generally expected to purchase and sell Listed Securities, directly or indirectly, through dealers executing trades through the facilities of the TSX or another Marketplace. Listed Securities may also be issued directly to Securityholders upon a reinvestment of distributions of income or capital gains.

14. Securityholders that are not Designated Brokers or Authorized Dealers that wish to dispose of their Listed Securities may generally do so by selling their Listed Securities on the TSX or other Marketplace through a registered broker or dealer, subject only to customary brokerage commissions. On any trading day, Securityholders may redeem (i) Listed Securities for cash at a redemption price per Listed Security equal to 95% of the closing price for the Listed Securities on the TSX or other Marketplace on the effective day of the redemption less any applicable redemption fee determined by the Filer, or (ii) a Prescribed Number of Listed Securities or an integral multiple thereof for cash equal to the net asset value of that number of Listed Securities less any applicable redemption fee determined by the Filer.

Underwriter's Certificate Requirement

15. Authorized Dealers and Designated Brokers will not provide the same services in connection with a distribution of Creation Units as would typically be provided by an underwriter in a conventional underwriting.

16. The Filer will generally conduct its own marketing, advertising and promotion of the ETFs.

17. Authorized Dealers and Designated Brokers will not be involved in the preparation of an ETF's prospectus, will not perform any review or any independent due diligence as to the content of an ETF's prospectus, and will not incur any marketing costs or receive any underwriting fees or commissions from the ETFs or the Filer in connection with the distribution of Listed Securities. The Authorized Dealers and Designated Brokers generally seek to profit from their ability to create and redeem Listed Securities by engaging in arbitrage trading to capture spreads between the trading prices of Listed Securities and their underlying securities and by making markets for their clients to facilitate client trading in Listed Securities.

Dealer Delivery

18. Securities regulatory authorities have advised that they take the view that the first re-sale of a Creation Unit on the TSX or another Marketplace will generally constitute a distribution of Creation Units under the Legislation and that the Authorized Dealers, Designated Brokers and Affiliate Dealers are subject to the Prospectus Delivery Requirement in connection with such re-sales. Re-sales of Listed Securities in the secondary market that are not Creation Units would not ordinarily constitute a distribution of such Listed Securities.

19. According to Authorized Dealers and Designated Brokers, Creation Units will generally be commingled with other Listed Securities purchased by the Authorized Dealers, Designated Brokers and Affiliate Dealers in the secondary market. As such, it is not practicable for the Authorized Dealers, Designated Brokers or Affiliate Dealers to determine whether a particular re-sale of Listed Securities involves Creation Units or Listed Securities purchased in the secondary market.

20. Under the applicable Prospectus Delivery Decision, Authorized Dealers, Designated Brokers and Affiliate Dealers are exempt from the Prospectus Delivery Requirement in connection with the re-sale of Creation Units to investors on the TSX or another Marketplace. Under a Prospectus Delivery Decision, Other Dealers are also exempt from the Prospectus Delivery Requirement in connection with the re-sale of creation units of other exchange-traded funds that are not managed by the Filer.

21. Each Prospectus Delivery Decision includes a condition that the Authorized Dealer, Designated Broker, Affiliate Dealer or Other Dealer undertakes that it will, unless it has previously done so, send or deliver to each purchaser of a Listed Security who is a customer of the Authorized Dealer, Designated Broker, Affiliate Dealer or Other Dealer and to whom a trade confirmation is required under the Legislation to be sent or delivered by the Authorized Dealer, Designated Broker, Affiliate Dealer or Other Dealer in connection with the purchase, the latest ETF Facts filed in respect of the Listed Security not later than midnight on the second day, exclusive of Saturdays, Sundays and holidays, after the purchase of the Listed Security.

22. The Filer will prepare and file with the applicable Jurisdictions on the System for Electronic Document Analysis and Retrieval (**SEDAR**) an ETF Facts for each class of Listed Securities and will make available to the applicable Authorized Dealers, Designated Brokers, Affiliate Dealers and Other Dealers the requisite number of copies of the ETF Facts for the purpose of facilitating their compliance with the Prospectus Delivery Decision within the timeframe necessary to allow Authorized Dealers, Designated Brokers, Affiliate Dealers and Other Dealers to effect delivery of the ETF Facts as contemplated in the Prospectus Delivery Decision.

Take-over Bid Requirements

23. As equity securities that will trade on the TSX or another Marketplace, it is possible for a person or company to acquire such number of Listed Securities so as to trigger the application of the Take-over Bid Requirements. However:

    (a) it will be difficult for one or more Securityholders to exercise control or direction over an ETF, as the master declaration of trust of each ETF will provide that in order to have the trustee of an ETF call a meeting of Securityholders of such ETF, Securityholders of such ETF will be required to present the trustee of such ETF with a written request of the Securityholders of such ETF holding in the aggregate not less than 25% of the applicable Listed Securities then outstanding;

(b) it will be difficult for the purchasers of Listed Securities to monitor compliance with the Take-over Bid Requirements because the number of outstanding Listed Securities will always be in flux as a result of the ongoing issuance and redemption of Listed Securities by each ETF; and

(c) the way in which the Listed Securities will be priced deters anyone from either seeking to acquire control, or offering to pay a control premium for outstanding Listed Securities because pricing for each Listed Security will generally reflect the net asset value of the Listed Securities.

24. The application of the Take-over Bid Requirements to the ETFs would have an adverse impact on the liquidity of the Listed Securities because they could cause the Designated Brokers and other large Securityholders to cease trading Listed Securities once the Securityholder has reached the prescribed threshold at which the Take-over Bid Requirements would apply. This, in turn, could serve to provide conventional mutual funds with a competitive advantage over the ETFs.

Decision

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

1. The decision of the principal regulator is that the Exemption Sought from the Underwriter's Certificate Requirement is granted, provided that the Filer will be in compliance with the following conditions:

(a) the Filer provides or makes available to each Authorized Dealer, Designated Broker, Affiliate Dealer or Other Dealer, the number of copies of the ETF Facts of each Listed Security that the Authorized Dealer, Designated Broker, Affiliate Dealer or Other Dealer reasonably requests in support of compliance with its respective Prospectus Delivery Decision;

(b) each ETF's prospectus, as the same may be amended from time to time, will disclose the relief granted pursuant to the Exemption Sought under Item 34.1 of Form 41-101F2 – Information Required in an Investment Fund Prospectus, as applicable;

(c) the Filer obtains an executed acknowledgement from each Authorized Dealer, Designated Broker and Affiliate Dealer, and uses its best efforts to obtain an acknowledgment from each Other Dealer:

(i) indicating each dealer's election, in connection with the re-sale of Creation Units on the TSX or another Marketplace, to send or deliver the ETF Facts in accordance with a Prospectus Delivery Decision or, alternatively, to comply with the Prospectus Delivery Requirement; and

(ii) if the Authorized Dealer, Designated Broker, Affiliate Dealer or Other Dealer agrees to deliver the ETF Facts in accordance with a Prospectus Delivery Decision:

(A) an undertaking that the Authorized Dealer, Designated Broker, Affiliate Dealer or Other Dealer will attach or bind one ETF's ETF Facts with another ETF's ETF Facts only if the documents are being sent or delivered under the Prospectus Delivery Decision at the same time to an investor purchasing Listed Securities of each such ETF; and

(B) confirming that the Authorized Dealer, Designated Broker, Affiliate Dealer or Other Dealer has in place written policies and procedures to ensure that it is in compliance with the conditions of the Prospectus Delivery Decision;

(d) the Filer will keep records of which Authorized Dealers, Designated Brokers, Affiliate Dealers and Other Dealers have provided it with an acknowledgement under a Prospectus Delivery Decision, and which intend to rely on and comply with the Prospectus Delivery Decision or intend to comply with the Prospectus Delivery Requirement;

(e) the Filer files with its principal regulator, to the attention of the Director, Investment Funds and Structured Products Branch, on or before January 31st in each calendar year, a certificate signed by its ultimate designated person certifying that, to the best of the knowledge of such person, after making due inquiry, the Filer has complied with the terms and conditions of this decision during the previous calendar year; and

(f) conditions (a), (b), (c), (d) and (e) above do not apply to the Exemption Sought after any new legislation or rule dealing with the Prospectus Delivery Decision takes effect and any applicable transition period has expired.

2. The decision of the principal regulator is that the Exemption Sought from the Take-over Bid Requirements is granted.

As to the Exemption Sought from the Underwriter's Certificate Requirement:

"William Furlong"
Commissioner
Ontario Securities Commission

"Mark J. Sandler"
Commissioner
Ontario Securities Commission

As to the Exemption Sought from the Take-over Bid Requirements:

"Darren McKall"
Manager
Investment Funds and Structured Products Branch
Ontario Securities Commission

2.1.3 Franklin Templeton Investments Corp.

Headnote

National Instrument 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Relief to permit a senior loan exchange-traded fund to borrow cash up to an amount equal to 10% of NAV as a temporary measure to accommodate requests for the redemption of units of the fund – relief needed due to longer settlement times of senior loans – relief subject to numerous conditions – National Instrument 81-102 Investment Funds.

Applicable Legislative Provisions

National Instrument 81-102 Investment Funds, subparagraph 2.6(a)(i) and section 19.1.

March 19, 2018

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
FRANKLIN TEMPLETON INVESTMENTS CORP.
(the Filer)

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filer on behalf of the Franklin Liberty Senior Loan ETF (CAD-Hedged) (the **Franklin ETF**) for a decision under the securities legislation of the Jurisdiction of the principal regulator (the **Legislation**) for relief, pursuant to Section 19.1 of National Instrument 81-102 – *Investment Funds* (**NI 81-102**), from the borrowing restriction in Section 2.6(a)(i) of NI 81-102, in order to allow the Franklin ETF to borrow cash on a temporary basis to accommodate requests for the redemption of its Units (as defined below) while the Franklin ETF settles portfolio transactions initiated to satisfy such redemption requests provided that the outstanding amount of all borrowings of the Franklin ETF does not exceed 10% of its net asset value at the time of borrowing (the **Exemption 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 each province and territory of Canada other than the Jurisdiction (including Ontario, the **Jurisdictions**).

Interpretation

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

"Basket of Securities" means a group of securities determined by the Filer from time to time representing the constituents of the investment portfolio then held by the Franklin ETF.

"Dealers" means registered brokers and dealers that will enter into dealer agreements with the Franklin ETF and that will subscribe for and purchase Units of the Franklin ETF, and **"Dealer"** means any one of them.

"Designated Broker" means a registered broker or dealer that will enter into an agreement with the Filer in respect of the Franklin ETF to perform certain duties in relation to the Franklin ETF, including posting a liquid two-way market for the trading of Units on the TSX or another marketplace.

"Designated Counterparty" means a person or company, or the direct or indirect parent company of such person or company, whose securities have a "designated rating", as defined in National Instrument 44-101 – *Short Form Prospectus Distributions*.

"Prescribed Number of Units" means the number of Units of the Franklin ETF determined by the Filer from time to time for the purpose of subscription orders, exchanges, redemptions or for other purposes.

"Unit" means a redeemable, transferable unit of the Franklin ETF, which represents an equal, undivided interest in the net assets of the Franklin ETF and **"Units"** means more than one Unit.

"Unitholders" means beneficial and registered holders of Units of the Franklin ETF.

Representations

This decision is based on the following facts represented by the Filer on behalf of itself and the Franklin ETF:

The Filer

1. The Filer is a corporation amalgamated under the laws of the Province of Ontario, with its head office located at 200 King Street West, Suite 1500, Toronto, Ontario.

2. The Filer is registered as an investment fund manager in Ontario, Québec, Alberta, British Columbia, Manitoba, Nova Scotia, and Newfoundland and Labrador, as a mutual fund dealer, portfolio manager and exempt market dealer in each province of Canada and the Yukon, and as a commodity trading manager in Ontario.

3. The Filer will be the trustee and manager of the Franklin ETF.

4. Franklin Advisers Inc. will be retained to provide all portfolio management services in respect of the Franklin ETF (the **Portfolio Advisor**) pursuant to the international advisor exemption in section 8.26 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. The Portfolio Advisor is a registered investment advisor with the U.S. Securities and Exchange Commission (SEC) and has offices based in San Mateo, California and is an affiliate of the Filer.

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

The Franklin ETF

6. The Franklin ETF will be a reporting issuer in the Jurisdictions. The Franklin ETF will distribute Units in such jurisdictions pursuant to a long form prospectus prepared pursuant to Form 41-101F2 *Information Required in an Investment Fund Prospectus* (the **Prospectus**).

7. The Franklin ETF will be an exchange traded mutual fund in continuous distribution that is subject to NI 81-102.

8. The Franklin ETF will issue Units that will be listed and posted for trading on the Toronto Stock Exchange (the **TSX**).

9. The investment objective of the Franklin ETF will be to seek to provide a high level of current income while preserving capital by investing primarily in senior-secured income-producing floating rate corporate loans made to, and corporate debt securities issued by, U.S. and non-U.S. entities. The Franklin ETF will normally invest between 80-95% of its net assets in income-producing floating rate corporate loans made to, and corporate debt securities issued by, U.S. and non-U.S. entities. The Franklin ETF will invest, under normal market conditions, at least 75% of its net assets in floating rate investments that are rated B or higher at the time of purchase by a nationally recognized statistical rating organization (an **NRSRO**) or, if unrated, are determined to be of comparable quality by the Portfolio Advisor. It may also, under normal market conditions, invest up to 25% of its net assets in floating rate investments that are rated below B by an NRSRO or, if unrated, are determined to be of comparable quality by the Portfolio Advisor. The Franklin ETF generally expects to invest a portion of its assets in cash, cash equivalents and high quality money market securities, including commercial paper, repurchase agreements and affiliated or unaffiliated money market funds, to manage liquidity and while seeking investment opportunities.

10. The Filer anticipates that the senior loans in which the Franklin ETF will invest will have a settlement cycle that may be longer than two business days.

11. Currently, approximately 5-10% of the Franklin ETF's portfolio will be comprised of cash and/or securities that will settle within two business days. The Filer plans to continue this practice for the medium term, but has the discretion to adjust this weighting at any time.

12. The Franklin ETF invests in senior loans that the Portfolio Advisor believes exhibit the best combination of attractive fundamental credit characteristics and relative value within the senior loan market. The Portfolio Advisor seeks to assemble a well-diversified portfolio that includes loans of issuers with strong credit metrics, including strong cash flows and effective management teams. Senior loans, compared to equivalently rated unsecured high yield bonds, typically offer a higher recovery rate because of the protection offered by their secured nature and their priority claim relative to other debt instruments.

13. Recognizing the longer settlement time for senior loans, the strategy will utilize the cash allocation within the portfolio to help manage liquidity needs. In addition, the strategy by design focuses on the larger issuers in the market which also tend to have better liquidity characteristics.

14. The Portfolio Advisor has access to quotations with bid-ask spreads from the major broker-dealers active in the senior loan market, which will allow the Portfolio Advisor to monitor and assess the liquidity of the portfolio assets and the market as a whole. The Portfolio Advisor will actively monitor the earnings reports, price movements, and bid-ask spreads of the Franklin ETF's portfolio as part of its active management, and the Portfolio Advisor will monitor compliance to the investment strategy in real-time. The Franklin ETF's portfolio of senior loans will be actively monitored by the Portfolio Advisor, and the Portfolio Advisor will process all information available to it as part of its daily portfolio management activities.

15. In addition to the ongoing monitoring of the markets and the Franklin ETF portfolio assets described above, each individual investment will go through a fundamental credit analysis (qualitative and quantitative), which will include an analysis of the possible downside of the investment, which may be referred to as a stress test, before actual investment by the Franklin ETF. This analysis will include, amongst other things:

    (a) revenue/EBITDA projections and sensitivity analysis including break-even point;

    (b) margin projections and sensitivity analysis;

    (c) impact of interest rates on cash flows;

    (d) free cash flow analysis; and

    (e) any other specific analysis appropriate for a particular sector and/or investment.

16. Because they are secured against specific collateral of the borrower, senior loans offer a higher likelihood of recovery in the event of a borrower default compared to equivalently rated unsecured high yield bonds. In addition, senior loans have a higher priority claim relative to other debt instruments, increasing the chances of recovery in the event of bankruptcy or reorganization.

17. The purchaser of a senior loan that will be transacting with the Franklin ETF will always be a dealer that is a Designated Counterparty.

18. The vast majority of sales of senior loans between the Franklin ETF and a Designated Counterparty will be subject to the standard terms and conditions for par / near par trade confirmations published by the Loan Syndications and Trading Association (the **Terms**), which Terms are binding on the parties to the transaction and do not contain any "outs" for force majeure or the stress or dislocation of the senior loan market (the foregoing does not apply in the rare case of a distressed loan).

19. During any Drawdown Period, the purchaser that will be interacting with the Franklin ETF with respect to a senior loan will always be a dealer that is a Designated Counterparty.

20. When selecting senior loans for the Franklin ETF, the Portfolio Advisor will use fundamental analysis to evaluate the investment opportunities of each issuer. When monitoring the risk associated with portfolio investments, the Portfolio Advisor will consider whether the Franklin ETF is over or under represented in a specific industry sector. The Franklin ETF's loans will typically be held until maturity, but may be sold if attractive opportunities arise.

21. Generally, orders to purchase Units directly from the Franklin ETF will be placed by the Designated Broker or a Dealer in a Prescribed Number of Units (or an integral multiple thereof). Investors are generally expected to purchase and sell Units, directly or indirectly, through dealers executing trades through the facilities of the TSX or another marketplace in

Canada. Units may also be issued directly to the Franklin ETF's investors upon the reinvestment of distributions of income or capital gains.

22. Unitholders may redeem Units of the Franklin ETF for cash at a redemption price per Unit equal to 95% of the closing price for the Units on the TSX on the effective day of the redemption, subject to a maximum redemption price of the net asset value per Unit. Unitholders of the Franklin ETF (generally the Designated Broker or the Dealers) may also exchange the Prescribed Number of Units (or an integral multiple thereof) for Baskets of Securities and/or cash in the discretion of the Filer.

23. The net asset value per Unit of each series of the Franklin ETF will be calculated and published on any day where there is a trading session on the TSX or other marketplace and will be made available on the Filer's website at www.franklintempleton.ca.

24. The Franklin ETF is expected to make monthly distributions of income. If monthly distributions are made, such distributions would be funded through the net assets of the Franklin ETF and not through borrowings; however, the year-end distribution may be funded through net assets and/or borrowing in compliance with the exemption granted to the Filer dated April 18, 2017, provided that the outstanding amount of all borrowing of the Franklin ETF does not exceed 10% of its net asset value at the time of borrowing.

25. The Filer believes the senior loan investments that will be made by the Franklin ETF will be able to be liquidated in a timely fashion, given the size and depth of the overall senior loan market. However, the settlement time for such securities is typically longer than that of equity securities.

26. The Filer has determined that it would be prudent for the Franklin ETF to request the Exemption Sought in order to borrow cash on a temporary basis to accommodate requests for the exchange or redemption of its Units while the Franklin ETF settles portfolio transactions initiated to satisfy such requests provided that the outstanding amount of all borrowing of the Franklin ETF does not exceed 10% of its net asset value at the time of borrowing.

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 Decision Maker under the Legislation is that the Exemption Sought is granted provided that:

(a) if trading of the Units on the TSX of the Franklin ETF is suspended for a period exceeding 30 days, the Franklin ETF will begin taking all necessary steps to ensure that all amounts borrowed under the overdraft facility are fully repaid as soon as commercially reasonable, but no later than 90 days from the date of suspension, provided that such repayment need not be completed if the suspension is lifted within 90 days from the date of the suspension;

(b) the Franklin ETF will not make a distribution to its Unitholders where that distribution would impair the ability of the Franklin ETF to repay the funds borrowed under the overdraft facility;

(c) the Franklin ETF will have text box disclosure in each prospectus and ETF Facts filed in connection with the continuous distribution of Units, stating that (i) the Franklin ETF invests primarily in senior loans, which are generally rated below investment grade debt; (ii) settlement periods for senior loans may be longer than for other types of debt securities such as corporate bonds; and (iii) investing in the Franklin ETF is not a substitute for holding cash or money market securities;

(d) the Franklin ETF will disclose, in each prospectus filed in connection with the continuous distribution of Units, the maximum percentage of assets of the Franklin ETF the borrowing may represent, the Franklin ETF's intended use of the amounts borrowed, the material terms of any credit facility that may be used by the Franklin ETF and the risks arising from the borrowing; and

(e) the Franklin ETF may only borrow cash in excess of 5% of its net asset value if all of the following conditions are satisfied:

(i) after giving effect to the borrowing, the outstanding amount of all borrowings of the Franklin ETF does not exceed 10% of its the net asset value of the Franklin ETF;

(ii) the Franklin ETF has entered into a fully binding agreement with a Designated Counterparty(s) to sell a senior loan(s) in order to satisfy redemption requests, but the settlement period on the senior loan(s) exceeds two days;

(iii) the amount of cash that the Franklin ETF borrows does not exceed the amount of cash that it will receive in respect of the sale of the senior loan(s) referred to in paragraph (e)(ii) above; and

(iv) the Franklin ETF has sold all of the securities in its portfolio, other than senior loan holdings, and has used all of its available cash in order to satisfy redemption requests.

"Darren McKall"
Manager
Investment Funds and Structured Products Branch
Ontario Securities Commission

2.1.4 Evolve Funds Group Inc.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions - Relief from subsection 2.3(1.1) of National Instrument 41-101 General Prospectus Requirementsto file a final prospectus more than 90 days after the date of the receipt for the preliminary prospectus.

Applicable Legislative Provisions

National Instrument 41-101 General Prospectus Requirements, ss. 2.3(1.1), 19.1.

VIA SEDAR

December 13, 2017

Evolve Funds Group Inc.

Attention: Kevin Rusli

Dear Sirs/Mesdames:

Re: Evolve Funds Group Inc. (the Filer)

Preliminary Long Form Prospectus dated September 21, 2017

Evolve Bitcoin ETF (the Fund)

Exemptive Relief Application under Part 19 of National Instrument 41-101 *General Prospectus Requirements* (NI 41-101)

Application No. 2017/0680 SEDAR Project Number 2677161

By letter dated December 1, 2017 (the **Application**), the Filer, as manager of the Fund, applied on behalf of the Fund to the Director of the Ontario Securities Commission (the **Director**) under section 19.1 of NI 41-101 for relief from the operation of subsection 2.3(1.1) of NI 41-101, which prohibits an issuer from filing a final prospectus more than 90 days after the date of the receipt for the preliminary prospectus which relates to the final prospectus.

This letter confirms that, based on the information and representations made in the Application, and for the purposes described in the Application, the Director intends to grant the requested exemption to be evidenced by the issuance of a receipt for the Fund's final prospectus, subject to the condition that the final prospectus be filed by no later than **March 20, 2018**.

Yours very truly,

"Darren McKall"
Manager
Investment Funds and Structured Products Branch
ONTARIO SECURITIES COMMISSION

2.1.5 Beutel, Goodman & Company Ltd.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – relief granted from section 13.5(2)(b) of NI 31-103 to permit inter-fund trading between mutual funds, pooled funds and managed accounts managed by the same manager or its affiliate – Relief subject to conditions, including IRC approval and pricing requirements – certain trades involving exchange-traded securities permitted to occur at last sale price as defined in the Universal Market Integrity Rules - Exemption also granted from conflict of interest trading prohibition in paragraph 13.5(2)(b) to permit in-specie subscriptions and redemptions by separately managed accounts and pooled funds – relief subject to conditions.

Applicable Legislative Provisions

National Instrument 31-103 Registration Requirements and Exemptions, ss. 13.5 and 15.1.
National Instrument 81-107 Independent Review Committee for Investment Funds, ss. 6.1(2) and 6.1(4).

March 1, 2018

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
BEUTEL, GOODMAN & COMPANY LTD.
(THE FILER)

DECISION

Background

The principal regulator in the Jurisdiction has received an application (the **Application**) from the Filer for a decision under the securities legislation of the Jurisdiction of the principal regulator (the **Legislation**) for a decision (the **Exemption Sought**) pursuant to section 15.1 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**NI 31-103**) exempting the Filer from the prohibitions in paragraph 13.5(2)(b) of NI 31-103 (the **Trading Prohibition**) which prohibit a registered adviser from knowingly causing an investment portfolio managed by it, including an investment fund for which it acts as an adviser, to purchase or sell the securities of any issuer from or to the investment portfolio of an associate of a responsible person or any investment fund for which a responsible person acts as an adviser, to permit (the **Inter Account Transfer Relief**):

(a) a Public Fund (as defined below) to purchase securities from or sell securities to a Pooled Fund (as defined below);

(b) a Pooled Fund to purchase securities from, or sell securities to, another Fund (as defined below);

(c) a Managed Account (as defined below) to purchase securities from, or sell securities to, a Fund,

and, in each case, for the purchase and sale described above of exchange-traded securities to occur at the Last Sale Price (as defined below) in lieu of the Closing Sale Price (as defined below);

(d) a Public Fund to purchase exchange-traded securities from or sell exchange-traded securities to another Public Fund at the Last Sale Price in lieu of the Closing Sale Price;

(a purchase or sale of securities described in paragraph (a) through (d) above being referred to herein as an **Inter-Fund Trade**);

(e) the purchase by a Managed Account of securities of a Fund, and the redemption of securities of a Fund held by a Managed Account, and as payment:

(i) for such purchase, in whole or in part, by the Managed Account making good delivery of portfolio securities to the Fund; and

(ii) for such redemption, in whole or in part, by the Managed Account receiving good delivery of portfolio securities from the Fund; and

(f) the purchase by a Pooled Fund of securities of another Fund, and the redemption of securities held by a Pooled Fund in another Fund, and as payment:

(i) for such purchase, in whole or in part, by the Fund making good delivery of portfolio securities to the other Fund; and

(ii) for such redemption, in whole or in part, by the Fund receiving good delivery of portfolio securities from the other Fund;

(a purchase or redemption described in paragraph (e) or (f) above being referred to herein as an **In Specie Transaction**).

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

(a) the Ontario Securities Commission is the principal regulator for the Application; and

(b) the Filer has provided notice that subsection 4.7(2) of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) is intended to be relied upon in respect of the Exemption Sought in each of the other provinces and territories of Canada (together with Ontario, the **Passport Jurisdictions**).

Interpretation

Terms defined in the Legislation, MI 11-102, National Instrument 14-101 *Definitions*, NI 31-103, National Instrument 81-102 *Investment Funds* (**NI 81-102**), National Instrument 81-106 *Investment Fund Continuous Disclosure* (**NI 81-106**) or National Instrument 81-107 *Independent Review Committee for Investment Funds* (**NI 81-107**) have the same meanings in this decision, unless otherwise defined. In addition:

Closing Sale Price means the closing sale price contemplated by the definition of "current market price of the security" in subparagraph 6.1(1)(a)(i) of NI 81-107 on that trading day;

Fund means a Public Fund or a Pooled Fund;

Last Sale Price means the last sale price, as defined in the Market Integrity Rules of the Investment Industry Regulatory Organization of Canada, prior to the execution of the trade on that trading day where the securities involved in the Inter-Fund Trade are exchange-traded securities (which term shall include Canadian and foreign exchange-traded securities);

Managed Account means an existing or future account over which the Filer has discretionary authority for a client;

Pooled Fund means an existing or future investment fund of which the Filer is the investment fund manager and to which neither NI 81-102 nor NI 81-107 apply; and

Public Fund means an existing or future investment fund of which the Filer is the investment fund manager and to which NI 81-102 and NI 81-107 apply.

Representations

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

The Filer

1. The Filer is a corporation continued under the laws of Canada, with its registered head office located in Toronto, Ontario.

2. The Filer currently is registered as:

(a) a portfolio manager under the securities legislation of each Jurisdiction;

(b) an investment fund manager under the securities legislation of Ontario, Québec, and Newfoundland and Labrador;

(c) a mutual fund dealer under the securities legislation of Ontario;

(d) a commodity trading manager under the *Commodity Futures Act* (Ontario); and

(e) a derivatives portfolio manager under the *Derivatives Act* (Québec).

3. The Filer:

(a) acts as the trustee of each Public Fund and as the investment fund manager of each Public Fund;

(b) acts, or may act, as the portfolio adviser to each Fund; and

(c) acts as the adviser to each Managed Account.

4. The Filer is not in default of the securities legislation of any Passport Jurisdiction.

Funds

5. Each Fund is, or will be, an investment fund that is a trust established under the laws of Ontario or another Passport Jurisdiction.

6. Each Fund's reliance on the Exemption Sought will be compatible with its investment objective and strategies.

7. Each Public Fund is, or will be, a reporting issuer under the securities legislation of one or more Passport Jurisdictions and whose securities are, or will be, qualified for distribution pursuant to a prospectus and, if applicable, annual information form and fund facts that have been, or will be, prepared and filed in accordance with the securities legislation of those Passport Jurisdictions.

8. The securities of each Pooled Fund are, or will be, distributed on a private placement basis pursuant to the securities legislation of the Passport Jurisdictions and no Pooled Fund is, or will be, a reporting issuer under the securities legislation of any Passport Jurisdiction.

9. The Filer:

(a) acts, or will act, as the investment fund manager of each Fund; and

(b) acts, or may act, as the adviser to each Fund.

10. The Filer acts, or will act, as the trustee of each Public Fund. Accordingly, each Public Fund is, or will be, an associate of the Filer. RBC Investor Services Trust acts, or will act, as the trustee of each Pooled Fund.

11. Each existing Fund is not in default of the securities legislation of any Passport Jurisdiction.

Managed Accounts

12. The Filer is, or will be, the adviser of each Managed Account.

13. Each Managed Account is, or will be, managed pursuant to an investment management agreement or other documentation which is, or will be, executed by each client who wishes to receive the portfolio management services of the Filer and which provides the Filer full discretionary authority to trade in securities for the Managed Account without obtaining the specific consent of the client to execute the trade.

14. The investment management agreement or other documentation in respect of each Managed Account contains, or will contain, authorization from the client for the Filer to make Inter-Fund Trades and/or enter into In Specie Transactions.

Independent Review Committee

15. Each Public Fund has, or will have, an independent review committee (an **IRC**) in accordance with the requirements of NI 81-107. Each Inter-Fund Trade by a Public Fund with a Managed Account will be authorized by the IRC of the Public Fund under section 5.2 of NI 81-107, and the Filer will comply with section 5.4 of NI 81-107 in respect of any standing instructions the IRC provides in connection with such Inter-Fund Trade.

16. Though the Pooled Funds are not, and will not be, subject to the requirements of NI 81-107, each Pooled Fund will have an IRC at the time the Pooled Fund makes an Inter-Fund Trade. The mandate of the IRC of each Pooled Fund will include approving Inter-Fund Trades.

17. If the IRC of a Pooled Fund becomes aware of an instance where the Filer did not comply with the terms of this decision or a condition imposed by securities legislation or the IRC in its approval, the IRC of the Pooled Fund will, as soon as practicable, notify in writing the securities regulatory authority or regulator in the Passport Jurisdiction under which the Pooled Fund is organized.

Inter-Fund Trades

18. When the Filer engages in an Inter-Fund Trade it will follow the following procedures:

    (a) in respect of a purchase or a sale of a security by a Fund or Managed Account as applicable (**Portfolio A**), the portfolio manager of the Filer will either place the trade directly or will deliver the trade instructions to a trader on a trading desk of the Filer;

    (b) in respect of a sale or a purchase of a security by another Fund or Managed Account as applicable (**Portfolio B**), the portfolio manager of the Filer will either place the trade directly or will deliver the trade instructions to a trader on a trading desk of the Filer;

    (c) each portfolio manager of the Filer will request the approval of the chief compliance officer of the Filer (or his or her designated alternate during periods when it is not practicable for the chief compliance officer to address the matter) (the **CO**) to execute the trade as an Inter-Fund Trade;

    (d) once the portfolio manager or trader on the trading desk has confirmed the approval of the CO, the portfolio manager or the trader on the trading desk will have the discretion to execute the trade as an Inter-Fund Trade between Portfolio A and Portfolio B in accordance with the requirements of paragraphs (c) to (g) of subsection 6.1(2) of NI 81-107, except that for purposes of paragraph (e) of subsection 6.1(2) in respect of exchange-traded securities, the trade may be executed at the Last Sale Price;

    (e) the policies applicable to the portfolio manager and the trading desk of the Filer will require that all Inter-Fund Trade orders are to be executed on a timely basis and will remain open only for 30 days unless the portfolio manager cancels the order sooner; and

    (f) the portfolio manager or the trader on a trading desk will advise the Filer of the price at which the Inter-Fund Trade occurred.

In Specie Transactions

19. When acting for a Managed Account of a client, the Filer wishes to be able, in accordance with the investment objectives and restrictions of the client, to cause the client's Managed Account to either invest in securities of a Fund, or to redeem such securities, pursuant to an In Specie Transaction.

20. In acting on behalf of a Pooled Fund, the Filer wishes to be able, in accordance with the investment objectives and restrictions of the Pooled Fund, to cause the Pooled Fund to either invest in securities of another Fund, or to redeem such securities, pursuant to an In Specie Transaction.

21. The Filer has determined that effecting the In Specie Transactions of securities between a Fund and a Managed Account or between a Fund and another Fund will allow the Filer to manage each asset class more effectively and reduce transaction costs for the client, as applicable, and the Funds. For example, In Specie Transactions may:

    (a) reduce market impact costs, which can be detrimental to clients and/or the Funds; and

    (b) allow a portfolio manager to retain within its control institutional-size blocks of securities that otherwise would need to be broken and re-assembled.

22. The only cost which will be incurred by a Fund or a Managed Account for an In Specie Transaction is a nominal administrative charge levied by the custodian of the Fund in recording the trades and/or any commission charged by the dealer executing the trade.

23. At the time of each In Specie Transaction, the Filer will have in place policies and procedures governing such transactions, including the following:

    (a) each In Specie Transaction involving a Public Fund will be referred to its IRC for approval in accordance with the requirements of subsection 5.2(2) of NI 81-107;

    (b) the Filer has obtained, or will obtain, the written consent of the relevant client before it engages in any In Specie Transaction in connection with the purchase or redemption of securities of a Fund for the Managed Account;

    (c) the portfolio securities transferred in an In Specie Transaction will be consistent with the investment criteria of the Fund or Managed Account, as the case may be, acquiring the portfolio securities;

    (d) the portfolio securities transferred in In Specie Transactions will be valued on the same valuation day using the same valuation principles as are used to calculate the net asset value for the purpose of the issue price or redemption price of securities of the Fund;

    (e) with respect to the purchase of securities of a Fund, the portfolio securities transferred to the Fund in an In Specie Transaction as purchase consideration for those securities will be valued as if the portfolio securities were assets of the Fund and in accordance with subparagraph 9.4(2)(b)(iii) of NI 81-102;

    (f) with respect to the redemption of securities of a Fund, the portfolio securities transferred in consideration for the redemption price of those securities will have a value at least equal to the amount at which those portfolio securities were valued in calculating the net asset value per security used to establish the redemption price of the securities in accordance with paragraph 10.4(3)(b) of NI 81-102;

    (g) the valuation of any illiquid securities which would be the subject of an In Specie Transaction will be carried out according to the Filer's policies and procedures for the fair valuation of portfolio securities, including illiquid securities. Should any In Specie Transaction involve the transfer of an "illiquid asset" (as defined in NI 81-102), the Filer will obtain at least one quote for the asset from an independent arm's length purchaser or seller, immediately before effecting the In Specie Transaction;

    (h) if any illiquid securities are the subject of an In Specie Transaction, the illiquid securities will be transferred on a *pro rata* basis. The Funds generally invest in liquid securities. The Filer will not cause any Fund to engage in an In Specie Transaction if the applicable Fund or Managed Account is not in compliance with the portfolio restrictions on the holding of illiquid securities described in section 2.4 of NI 81-102; and

    (i) the Funds will keep written records of each In Specie Transaction, including records of each purchase and redemption of portfolio securities and the terms thereof for a period of five years commencing after the end of the financial year in which the trade occurred, the most recent two years in a reasonably accessible place.

24. In Specie Transactions will be subject to:

    (a) compliance with the written policies and procedures of the Filer respecting In Specie Transactions that are consistent with applicable securities legislation and the Exemption Sought; and

    (b) the oversight of the Filer to ensure that the In Specie Transactions represent the business judgment of the Filer acting in its discretionary capacity with respect to the Funds and the Managed Accounts, uninfluenced by considerations other than the best interests of the Funds and Managed Accounts. The results of the oversight and review by the Filer will be submitted in the form of a report to the Filer's board of directors on an annual basis.

Reasons for Exemption Sought

25. Since the Filer is, or will be, the trustee of each Public Fund, each Public Fund is an associate of the Filer. Where the Filer is the adviser to a Fund, the Filer is a responsible person of the Fund. The Filer is a responsible person of each Managed Account. Accordingly, each Public Fund is, or may be, an "associate" of a "responsible person" of another Fund or Managed Account as such terms are defined in the Legislation.

26. Pursuant to the Trading Prohibition, a Fund or a Managed Account, as applicable, may be restricted from making Inter-Fund Trades and In Specie Transactions with another Fund if:

    (a) the second Fund is an associate of a responsible person of the first Fund or of the Managed Account, as applicable, which will be the case on each occasion that the second Fund is a Public Fund; or

    (b) a responsible person of the first Fund or the Managed Account, as applicable, is an adviser to the second Fund, which may be the case for each second Fund.

27. The Filer, as the adviser to a Pooled Fund or Managed Account, cannot rely upon the exemption from paragraph 13.5(2)(b) of NI 31-103 codified in subsection 6.1(4) of NI 81-107 because such codified relief is not available in the context of the Pooled Funds and Managed Accounts.

28. Absent the granting of the Exemption Sought, the Filer may be prohibited from engaging in Inter-Fund Trades and In Specie Transactions due to the Trading Prohibitions. The Trading Prohibition is similar to the restriction applicable to Public Funds contained in subsection 4.2(1) of NI 81-102. However, there is no statutory relief from the Trading Prohibition equivalent to subsection 4.3(1) of NI 81-102 for purchases and sales of securities with available public quotations. Subsection 6.1(4) of NI 81-107 provides relief from the Trading Prohibition but only if, among other conditions:

    (a) the trade involves two investment funds to which NI 81-107 applies (which is not the case when a Managed Account or Pooled Fund is one of the parties to the Inter-Fund Trade); and

    (b) the Inter-Fund Trade occurs at the closing market price which, in the case of exchange-traded securities, does not include the Last Sale Price.

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:

Inter-Fund Trades

1. In connection with Inter-Fund Trades:

    (a) the Inter-Fund Trade is consistent with the investment objective of the Fund or the Managed Account, as applicable;

    (b) the Filer refers the Inter-Fund Trade to the IRC of the Fund involved in the manner contemplated by section 5.1 of NI 81-107, and the Filer complies with section 5.4 of NI 81-107 in respect of any standing instructions the IRC provides in connection with the Inter-Fund Trade;

    (c) the IRC of each Fund has approved the Inter-Fund Trade in respect of that Fund in accordance with the terms of subsection 5.2(2) of NI 81-107;

    (d) if the transaction is with a Managed Account, the investment management agreement or other documentation in respect of the Managed Account contains or will contain the authorization of the client to engage in Inter-Fund Trades and such authorization has not been revoked; and

    (e) the Inter-Fund Trade complies with paragraphs (c) to (g) of subsection 6.1(2) of NI 81-107, except that for purposes of paragraph (e) of subsection 6.1(2) in respect of exchange-traded securities, the trade may be executed at the Last Sale Price.

In Specie Transactions

2. In connection with an In Specie Transaction where a Managed Account acquires securities of a Fund:

    (a) if the transaction involves the purchase of securities in a Public Fund, the IRC of the Public Fund has approved the In Specie Transaction on behalf of the Public Fund in accordance with the terms of subsection 5.2(2) of NI 81-107;

(b) the Filer and the applicable IRC complies with section 5.4 of NI 81-107 in respect of any standing instructions the applicable IRC provides in connection with the In Specie Transaction;

(c) the Filer obtains the prior written consent of the client of the Managed Account before it engages in the In Specie Transaction;

(d) the Fund would, at the time of payment, be permitted to purchase the portfolio securities;

(e) the portfolio securities are acceptable to the portfolio manager of the Fund and meet the investment criteria of the Fund;

(f) the value of the portfolio securities is at least equal to the issue price of the securities of the Fund for which they are used as payment, valued as if the portfolio securities were portfolio assets of that Fund;

(g) the account statement next prepared for the Managed Account describes the portfolio securities delivered to the Fund and the value assigned to such portfolio securities; and

(h) the Fund keeps written records of each In Specie Transaction in a financial year of the Fund, reflecting details of the portfolio securities delivered to the Fund and the value assigned to such portfolio securities, for five years after the end of the financial year, the most recent two years in a reasonably accessible place.

3. In connection with an In Specie Transaction where a Managed Account redeems securities of a Fund:

(a) if the transaction involves the redemption of securities in a Public Fund, the IRC of the Public Fund has approved the In Specie Transaction on behalf of the Public Fund in accordance with the terms of subsection 5.2(2) of NI 81-107;

(b) the Filer and the applicable IRC complies with section 5.4 of NI 81-107 in respect of any standing instructions the applicable IRC provides in connection with the In Specie Transaction;

(c) the Filer obtains the prior written consent of the client of the Managed Account before it engages in the In Specie Transaction, and such consent has not been revoked;

(d) the portfolio securities meet the investment criteria of the Managed Account acquiring the portfolio securities and are acceptable to the Filer;

(e) the value of the portfolio securities is equal to the amount at which those portfolio securities were valued by the Fund in calculating the net asset value per unit or share used to establish the redemption price;

(f) the account statement next prepared for the Managed Account describes the portfolio securities received from the Fund and the value assigned to such portfolio securities; and

(g) the Fund keeps written records of each In Specie Transaction in a financial year of the Fund, reflecting details of the securities delivered by the Fund and the value assigned to such securities, for five years after the end of the financial year, the most recent two years in a reasonably accessible place.

4. In connection with an In Specie Transaction where a Pooled Fund purchases securities of a Fund:

(a) if the transaction involves the purchase of securities in a Public Fund, the IRC of the Public Fund has approved the In Specie Transaction on behalf of the Public Fund in accordance with the terms of subsection 5.2(2) of NI 81-107;

(b) the Filer and the applicable IRC comply with section 5.4 of NI 81-107 in respect of any standing instructions the applicable IRC provides in connection with the In Specie Transaction;

(c) the Fund acquiring the portfolio securities would, at the time of payment, be permitted to purchase the portfolio securities;

(d) the portfolio securities are acceptable to the portfolio manager of the Fund acquiring the portfolio securities and meet the investment objective of such Fund;

(e) the value of the portfolio securities is at least equal to the issue price of the units or shares of the Fund issuing the units or shares for which they are used as payment, valued as if the portfolio securities were portfolio assets of that Fund;

(f) each Fund keeps written records of each In Specie Transaction in a financial year of the Fund, reflecting details of the securities delivered to the Fund and the value assigned to such portfolio securities, for five years after the end of the financial year, the most recent two years in a reasonably accessible place.

5. In connection with an In Specie Transaction where a Pooled Fund redeems securities of a Fund:

(a) if the transaction involves the redemption of securities in a Public Fund, the IRC of the Public Fund has approved the In Specie Transaction on behalf of the Public Fund in accordance with the terms of subsection 5.2(2) of NI 81-107;

(b) the Filer and the applicable IRC comply with section 5.4 of NI 81-107 in respect of any standing instructions the applicable IRC provides in connection with the In Specie Transaction;

(c) the portfolio securities are acceptable to the portfolio manager of the Pooled Fund and are consistent with the investment objective of the Pooled Fund acquiring the portfolio securities;

(d) the value of the portfolio securities is equal to the amount at which those securities were valued by the Fund in calculating the net asset value per security used to establish the redemption price;

(e) each Fund keeps written records of each In Specie Transaction in a financial year of the Fund, reflecting details of the portfolio securities delivered by the Fund and the value assigned to such securities, for five years after the end of the financial year, the most recent two years in a reasonably accessible place.

6. The Filer does not receive any compensation in respect of any In Specie Transaction and, in respect of any delivery of portfolio securities further to an In Specie Transaction, the only charges paid by the Managed Account or the applicable Fund is the commission charged by the dealer executing the trade (if any) and/or any administrative charges levied by the custodian.

“Raymond Chan“
Manager
Investment Funds and Structured Products
Ontario Securities Commission

2.1.6 Beutel, Goodman & Company Ltd.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Relief from the conflict of interest restrictions in the Securities Act (Ontario) to permit fund-of-fund structures where top funds are pooled funds that are not reporting issuers and underlying funds are pooled funds or public funds under common management subject to conditions.

Applicable Legislative Provisions

Securities Act (Ontario) R.S.O. 1990, c. S.5, as am., ss. 111(2)(b), 111(2)(c), 111(4) and 113.

March 16, 2018

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
BEUTEL, GOODMAN & COMPANY LTD.
(THE FILER)

DECISION

Background

The principal regulator in the Jurisdiction has received an application (the **Application**) from the Filer, on behalf of each of the Filer, BG Private North American Balanced Fund (the **Initial Top Fund**) and one or more investment funds which are not reporting issuers under the securities legislation of the principal regulator (the **Legislation**) and which are now or in the future established, advised or managed by the Filer (the **Future Top Funds** and, together with the Initial Top Fund, the **Top Funds**) for a decision under the Legislation in respect of the Fund-on-Fund Investments (as defined below) exempting the Filer and the Top Funds from:

(a) the restriction in the Legislation that prohibits an investment fund from knowingly 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;

(b) the restriction in the Legislation that prohibits an investment fund from knowingly making an investment in an issuer in which:

  (i) any officer or director of the investment fund, its management company or distribution company or an associate of any of them; or

  (ii) any person or company who is a substantial security holder of the investment fund, its management company or its distribution company,

  has a significant interest; and

(c) the restriction in the Legislation that prohibits an investment fund, its management company or its distribution company from knowingly holding an investment described in paragraph (a) or (b) above,

(collectively, the **Fund-on-Fund Restrictions**) to permit the Filer to cause the Top Funds to purchase and hold securities of Underlying Funds (as defined below) (the **Exemption 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 the Application; and

(b) the Filer has provided notice that subsection 4.7(2) of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) is intended to be relied upon in respect of the Exemption Sought in Alberta (together with Ontario, the **Passport Jurisdictions**).

Interpretation

Terms defined in the Legislation, MI 11-102, National Instrument 14-101 *Definitions*, NI 31-103, National Instrument 81-102 *Investment Funds* (**NI 81-102**), National Instrument 81-106 *Investment Fund Continuous Disclosure* (**NI 81-106**) or National Instrument 81-107 *Independent Review Committee for Investment Funds* (**NI 81-107**) have the same meanings in this decision, unless otherwise defined. In addition:

Fund means a Public Fund or a Pooled Fund;

NI 81-102 means National Instrument 81-102 *Investment Funds*;

NI 81-106 means National Instrument 81-106 *Investment Fund Continuous Disclosure*;

NI 81-107 means National Instrument 81-107 *Independent Review Committee for Investment Funds*;

Pooled Fund means an existing or future investment fund of which the Filer is the investment fund manager and to which neither NI 81-102 nor NI 81-107 apply;

Public Fund means an existing or future investment fund of which the Filer is the investment fund manager and to which NI 81-102 and NI 81-107 apply; and

Underlying Fund means a Fund in which a Pooled Fund holds securities.

Representations

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

1. The Filer is a corporation continued under the laws of Canada, with its registered head office located in Toronto, Ontario.

2. The Filer currently is registered as:

   (a) a portfolio manager under the securities legislation of each province and territory of Canada;

   (b) an investment fund manager under the securities legislation of Ontario, Québec, and Newfoundland and Labrador;

   (c) a mutual fund dealer under the securities legislation of Ontario;

   (d) a commodity trading manager under the *Commodity Futures Act* (Ontario); and

   (e) a derivatives portfolio manager under the *Derivatives Act* (Québec).

3. The Filer:

   (a) acts as the trustee of each Public Fund and as the investment fund manager of each Fund; and

   (b) acts, or may act, as the portfolio adviser to each Fund.

4. The Filer is not in default of the securities legislation of any Passport Jurisdiction.

5. Each Pooled Fund is, or will be, an investment fund that is a trust established under the laws of Ontario.

6. The securities of each Pooled Fund are, or will be, distributed on a private placement basis pursuant to the securities legislation of the Passport Jurisdictions and no Pooled Fund is, or will be, a reporting issuer under the securities legislation of any Passport Jurisdiction.

7. Each Public Fund is, or will be, a reporting issuer under the securities legislation of one or more Passport Jurisdictions and whose securities are, or will be, qualified for distribution pursuant to a prospectus and, if applicable, annual information form and fund facts that have been, or will be, prepared and filed in accordance with the securities legislation of those Passport Jurisdictions.

8. Each existing Fund is not in default of the securities legislation of any Passport Jurisdiction.

9. The investment objective of the Initial Top Fund is to maximize returns through capital enhancement and investment income. The Initial Top Fund currently invests directly in a portfolio of equity and fixed income securities. Under its current investment strategies, the Initial Top Fund seeks to invest approximately 27% of its assets in government and corporate bonds.

10. BG Private Bond Fund (the **Initial Underlying Fund**) is a Pooled Fund. The Initial Underlying Fund invests primarily in bonds and other debt instruments issued by the Canadian federal and provincial governments, government agencies and corporations, as well as in other debt securities.

11. The Filer has determined it would be in the best interests of the Initial Top Fund to invest a portion of its assets in securities of the Initial Underlying Fund to achieve diversification for the Initial Top Fund's exposure to government and corporate bonds. The Filer believes that, in the future, there may be circumstances where the Filer determines it would be in the best interests of a Future Top Fund to invest a portion of its assets in securities of one or more Underlying Funds for diversification. For example, each Top Fund may invest in Beutel Goodman Money Market Fund for more efficient investment of its uninvested cash. All of the investments by Top Funds in securities of Underlying Funds described above are referred to herein as **Fund-on-Fund Investments**. The Filer believes that Fund-on-Fund Investments provide an efficient and cost-effective manner of pursuing portfolio diversification on behalf of a Top Fund rather than through the direct purchase of securities.

12. Implementing diversification in a Top Fund by investing in one or more Underlying Funds will provide economies of scale, allow the Top Fund to achieve its investment objective in a cost-efficient manner, and will not be detrimental to the interests of other securityholders of the Underlying Funds.

13. No Underlying Fund will be a Top Fund.

14. Not more than 10% of the net asset value of each Underlying Fund will be invested in securities of other investment funds except to the extent the Underlying Fund:

    (a) is a "clone fund" (as defined in NI 81-102);

    (b) purchases or holds securities of a "money market fund" (as defined in NI 81-102); or

    (c) purchases or holds securities that are "index participation units" (as defined by NI 81-102).

15. Each Fund-on-Fund Investment will be effected at an objective price. According to the Filer's policies and procedures, an objective price for this purpose, will be the net asset value (**NAV**) per security of the applicable class or series of the applicable Underlying Fund, calculated in accordance with section 14.2 of NI 81-106.

16. The Underlying Funds will primarily hold publicly traded securities and will not hold greater than 10% of their assets in "illiquid assets", as defined in NI 81-102.

17. No management fees or incentive fees will be payable by a Top Fund that, to a reasonable person, would duplicate a fee payable by an Underlying Fund for the same service.

18. No sales fee or redemption fees will be payable by a Top Fund in relation to its purchases or redemptions of securities of an Underlying Fund that, to a reasonable person, would duplicate a fee payable by an investor in the Top Fund.

19. The Filer will not cause the securities of an Underlying Fund held by a Top Fund to be voted at any meeting of the holders of such securities, except that the Filer may arrange for the securities the Top Fund holds in the Underlying Fund to be voted by the beneficial owners of the securities of the Top Fund, who are not the Filer or an officer, director or substantial security holder of the Filer.

20. A disclosure document, including an offering memorandum where available, of a Top Fund will be provided to each new investor in a Top Fund prior to the time of the investor's investment, which discloses:

    (a) that the Top Fund may purchase securities of Underlying Funds from time to time;

    (b) that the Filer is the manager of both the Top Fund and the Underlying Funds;

    (c) the approximate or maximum percentage of net assets of the Top Fund that is intended be invested in securities of Underlying Funds;

    (d) the fees, expenses and any performance or special incentive distributions payable by an Underlying Fund in which the Top Fund invests;

    (e) the process or criteria used to select an Underlying Fund;

    (f) for each officer, director and/or substantial security holder of the Filer, or of a Top Fund, that has a significant interest in an applicable Underlying Fund, and for the officers and directors and substantial security holders who together in aggregate hold a significant interest in an applicable Underlying Fund, the approximate amount of the significant interest they hold, on an aggregate basis, expressed as a percentage of the applicable Underlying Fund's net asset value, and the potential conflicts of interest which may arise;

    (g) that investors are entitled to receive from the Filer, on request and free of charge:

        (i) a copy of the offering memorandum or other similar disclosure document of each Underlying Fund, if available; and

        (ii) the annual audited financial statements and interim financial reports (if any) relating to each Underlying Fund in which the Top Fund invests.

    The disclosure document described above also will be provided to each existing investor in a Top Fund prior to the Top Fund making its first Fund-on-Fund Investment.

21. The Filer will annually inform investors in a Top Fund of their right to receive from the Filer, on request and free of charge, a copy of the offering memorandum or other similar disclosure document of each Underlying Fund, if available, and the annual audited financial statements and interim financial reports (if any) relating to each Underlying Fund in which the Top Fund invests.

22. The amount invested, from time to time, in an Underlying Fund either by a Top Fund alone or when aggregated with the investments of other Funds in the Underlying Fund, may exceed 20% of the outstanding voting securities of the Underlying Fund. Accordingly, each Top Fund could, either alone or together with other Funds, become a substantial security holder of an Underlying Fund.

23. In addition, Fund-on-Fund Investments may result in a Top Fund investing in an Underlying Fund:

    (a) in which an officer or director of the Top Fund, of the Filer or of an associate of any of them has a significant interest; or

    (b) where a substantial security holder of the Top Fund or the Filer has a significant interest.

24. Each Underlying Fund has, or will have, other securityholders in addition to the Top Funds.

25. Securities of each Top Fund and of the Underlying Funds held by the Top Fund have, or will have, matching redemption dates and matching valuation dates.

26. Each Top Fund and Underlying Fund prepares, or will prepare, annual audited financial statements in accordance with NI 81-106 and complies with the requirements of NI 81-106 applicable to it. Pursuant to an order of the Ontario Securities Commission dated May 9, 1989 (the **Interim Financial Reporting Relief**), the Pooled Funds are not required to prepare interim financial reports. Each Top Fund, and each Underlying Fund that is a Pooled Fund, that does not rely on the Interim Financial Reporting Relief prepares, or will prepare, interim financial reports in accordance with NI 81-106.

27. When purchasing or redeeming securities of an Underlying Fund, the Filer, as the manager of the Top Fund and Underlying Fund, shall act honestly, in good faith and in the best interests of the Top Fund and the Underlying Fund,

respectively, and will exercise the care and diligence that a reasonably prudent person would exercise in comparable circumstances.

28. Fund-on-Fund Investments represents the business judgment of responsible persons as of the date hereof, uninfluenced by considerations other than the best interests of the Funds.

29. In the absence of the Exemption Sought, the Top Funds may be precluded by the Fund-on-Fund Restrictions from making and holding Fund-on-Fund Investments. Specifically, a Top Fund is prohibited from:

    (a) becoming a substantial security holder of an Underlying Fund; and

    (b) investing in an Underlying Fund in which an officer or director of the Filer has a significant interest, or in an Underlying Fund in which a substantial security holder of the Top Fund or the Filer has a significant interest.

30. Each Top Fund's reliance on the Exemption Sought will be compatible with its investment objective and strategies.

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:

(a) securities of a Top Fund are distributed in Canada solely pursuant to exemptions from the prospectus requirement under applicable securities legislation;

(b) the investment by a Top Fund in an Underlying Fund is consistent with the investment objective of the Top Fund;

(c) the investment in an Underlying Fund by a Top Fund is effected at an objective price, calculated in accordance with section 14.2 of NI 81-106;

(d) the Top Fund does not invest in an Underlying Fund unless the Underlying Fund prepares annual audited financial statements and, unless relying on the Interim Financial Reporting Relief, interim financial reports in accordance with NI 81-106 and complies with the requirements of NI 81-106 applicable to it;

(e) the Top Fund does not purchase or hold a security of an Underlying Fund unless, at the time of purchasing securities of the Underlying Fund, the Underlying Fund holds no more than 10% of its NAV in securities of other investment funds except to the extent that the Underlying Fund:

    (i) is a "clone fund" (as defined in NI 81-102);

    (ii) purchases or holds securities of a "money market fund" (as defined in NI 81-102); or

    (iii) purchases or holds securities that are "index participation units" (as defined by NI 81-102);

(f) no management fees or incentive fees are payable by the Top Fund that, to a reasonable person, would duplicate a fee payable by the Underlying Fund for the same service;

(g) no sales fee or redemption fees are payable by the Top Fund in relation to its purchases or redemptions of securities of the Underlying Fund that, to a reasonable person, would duplicate a fee payable by an investor in the Top Fund;

(h) the Filer does not cause the securities of an Underlying Fund held by a Top Fund to be voted at any meeting of the holders of such securities, except that the Filer may arrange for the securities the Top Fund holds in the Underlying Fund to be voted by the beneficial owners of the securities of the Top Fund, who are not the Filer or an officer, director or substantial security holder of the Filer;

(i) when purchasing and/or redeeming securities of an Underlying Fund, the Filer as the investment fund manager of the Top Fund and Underlying Fund, acts honestly, in good faith and in the best interests of the Top Fund and the Underlying Fund, respectively, and exercises the care and diligence that a reasonably prudent person would exercise in comparable circumstances;

(j) a disclosure document, including an offering memorandum where available, of a Top Fund is provided to each new investor in a Top Fund prior to the time of the investor's investment, which discloses:

(i) that the Top Fund may purchase securities of Underlying Funds from time to time;

(ii) that the Filer is the manager of and adviser to both the Top Fund and the Underlying Funds;

(iii) the approximate or maximum percentage of net assets of the Top Fund that is intended be invested in securities of Underlying Funds;

(iv) the fees, expenses and any performance or special incentive distributions payable by an Underlying Fund in which the Top Fund invests;

(v) the process or criteria used to select an Underlying Fund;

(vi) for each officer, director and/or substantial security holder of the Filer, or of a Top Fund, that has a significant interest in an applicable Underlying Fund, and for the officers and directors and substantial security holders who together in aggregate hold a significant interest in an applicable Underlying Fund, the approximate amount of the significant interest they hold, on an aggregate basis, expressed as a percentage of the applicable Underlying Fund's net asset value, and the potential conflicts of interest which may arise;

(vii) that investors are entitled to receive from the Filer, on request and free of charge:

(A) a copy of the offering memorandum or other similar disclosure document of each Underlying Fund, if available;

(B) the annual audited financial statements and interim financial reports (if any) relating to each Underlying Fund in which the Top Fund invests; and

(k) the disclosure document described in paragraph (i) above is provided to each existing investor in a Top Fund prior to the Top Fund making its first Fund-on-Fund Investment; and

(l) the Filer annually informs investors in each Top Fund of their right to receive from the Filer, on request and free of charge, a copy of the offering memorandum or other similar disclosure document of each Underlying Fund, if available, and the annual audited financial statements and interim financial reports (if any) relating to each Underlying Fund in which the Top Fund invests.

"Deborah Leckman"
Commissioner
Ontario Securities Commission

"J.A.Leiper"
Commissioner
Ontario Securities Commission

2.1.7 OceanRock Investments Inc.

Headnote

Multilateral Instrument 11-102 Passport System and National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – National Instrument 81-102 Mutual Funds section 5.5(1) – The Filer is a mutual fund manager and seeks approval of the change in control of the manager under the approval requirements in section 5.5(1)(a.1) of NI 81-102 – The filer established the experience and integrity of the person acquiring control of the manager – There are no expected material changes to the management, business, operations or affairs of the fund or the manager; securityholders were advised of the change of control.

Applicable Legislative Provisions

National Instrument 81-102 Mutual Fund section 5.5(1).

March 27, 2018

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
OCEANROCK INVESTMENTS INC.
(the Filer or Manager)

and

IN THE MATTER OF
THE FUNDS LISTED IN SCHEDULE A
(as defined below)

DECISION

Background

1 The securities regulatory authority or regulator in each of the Jurisdictions (Decision Maker) has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the Legislation) for approval of the indirect change in control of the Manager (the Manager Change of Control) which would result from the Proposed Transaction (defined below) pursuant to section 5.5(1)(a.1) of National Instrument 81-102 *Mutual Funds* (NI 81-102) (the Approval 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, Saskatchewan, Manitoba, Québec, New Brunswick, Prince Edward Island, Newfoundland and Labrador, Nova Scotia, Northwest Territories, Nunavut and Yukon,

(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* 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 Manager

1. the Manager is a private corporation existing under the *Canada Business Corporations Act* (CBCA) having its head office in Vancouver, British Columbia;

2. the Manager is registered under applicable Canadian securities laws as a portfolio manager (PM) in Alberta, British Columbia, Ontario and Saskatchewan, and as an investment fund manager (IFM) in Alberta, British Columbia, Newfoundland and Labrador, Ontario and Québec;

3. the Manager is the manager, PM, IFM and trustee of each of the mutual funds listed in Schedule A (the Funds);

4. the Manager is a wholly-owned subsidiary of Qtrade Canada Inc. (Qtrade);

5. the Manager is not in default of securities legislation in any jurisdiction of Canada;

The Funds

6. securities of the Funds are qualified for distribution in each of the Jurisdictions pursuant to a simplified prospectus and annual information form, each dated April 21, 2017, prepared in accordance with the requirements of National Instrument 81-101 *Mutual Fund Prospectus Disclosure* and are distributed through registered dealers in each jurisdiction of Canada;

7. the Funds are reporting issuers under the applicable securities legislation of each jurisdiction of Canada;

8. the Funds are not in default of securities legislation in any jurisdiction of Canada;

Parties to The Proposed Transaction

9. immediately before the Proposed Transaction, Desjardins Financial Holding Inc. (Desjardins) will own all of the issued and outstanding shares of Qtrade which owns all of the issued and outstanding shares of its subsidiary corporations, Qtrade Asset Management Inc. (QAM), Qtrade Insurance Solutions Inc. (QIS), Qtrade Securities Inc. (QSI) and the Manager;

10. Credential Financial Inc. owns all of the issued and outstanding shares of its subsidiary corporations, Credential Asset Management Inc. (CAM) and Credential Securities Inc. (CSI). CAM and CSI each own 50% of Credential Insurance Services Inc. (CIS) which owns all of the issued and outstanding shares of Credential Financial Strategies Inc. (CFS);

11. the shares of Credential are owned as follows: class A common shares representing 50% of the issued and outstanding voting shares of Credential are owned by The CUMIS Group Limited (CUMIS) and class B common shares representing 50% of the issued and outstanding voting shares of Credential are owned by Central 1 Credit Union (Central 1), Credit Union Central of Alberta (CUCA), Credit Union Central of Saskatchewan (CUCS), Credit Union Central of Manitoba (CUCM) and Atlantic Central (collectively, the Centrals) in the following proportions:

Entity	Class B common shares of Credential owned
Central 1	52.0%
CUCA	13.1%
CUCS	16.4%
CUCM	9.9%
Atlantic Central	8.6%
	100%

12. the voting shares of Credential are held directly and indirectly in the following proportions:

Entity	Voting shares of Credential owned
Central 1	39.5%
CUCA	6.5%
CUCS	8.2%
CUCM	4.9%
Atlantic Central	4.3%
Co-operators (as defined below)	36.5%
	100%

13. CUMIS is a financial institution and a specified financial institution and is controlled by Co-operators Life Insurance Company (CLIC); CLIC owns 73% and Central 1 owns 27% of the issued and outstanding common shares of CUMIS; CLIC is wholly-owned by Co-operators Financial Services Limited, which is wholly-owned by the group's parent corporation, Co-operators Group Limited (collectively with CUMIS and CLIC, the Co-Operators) (CUMIS and the Centrals are collectively referred hereto as the Partners);

14. Desjardins and the Centrals each own 50% of the issued and outstanding limited partner units of Northwest & Ethical Investments LP (NEI), a limited partnership, and 50% of the issued and outstanding shares of NEI's general partner, Northwest & Ethical Investments Inc. (NEI GP);

15. the following firms are duly registered: QAM, QSI, the Manager, CAM, CSI and NEI;

Proposed Transaction

16. Desjardins, the Centrals and CUMIS (each a Party and together, the Parties) have entered into a Master Merger Agreement dated December 11, 2017 whereby the Parties have agreed to combine (on a cash and debt-free basis) the businesses operated by Qtrade, Credential and NEI under a single entity (Wealth LP) (the Proposed Transaction); the general partner of Wealth LP will be a newly incorporated entity (Wealth GP) whose shareholders will be Desjardins and a holding entity owned by the Partners, each of which will hold 50% of the issued and outstanding shares of Wealth GP;

17. as a result of the Proposed Transaction, Credential and Qtrade would amalgamate to form an amalgamated corporation (AmalCo), which would own 100% of the issued and outstanding shares of the Manager;

Purpose of the Proposed Transaction

18. the rationale for the Proposed Transaction is primarily to create a more broadly based wealth management business that will provide better product and service offerings and pricing to investors, as well as allow better growth opportunities, improved profitability and better returns to the Parties and their customers/members;

19. it is not intended that any significant changes in the business operations of the Manager will occur as a result of the completion of the Proposed Transaction; however, it is currently anticipated that, at some point following the completion of the Proposed Transaction, the Manager will transfer all of its assets to NEI (the Merger) and thereafter be wound up into AmalCo;

20. there are no contractual or business impediments to the transactions described in this order; all material third-party consents to the changes of ownership or other operations constituting the Proposed Transaction, if any, will be obtained in due course;

21. a press release disclosing the Proposed Transaction was issued and posted on the websites of Qtrade on December 12, 2017;

Change in Control of the Manager

22. following completion of the Proposed Transaction and prior to the Merger, no changes are expected to the business, operations or affairs of the Manager or any of the Funds, and specifically:

    (a) the Funds will be maintained as distinct brands and products with the Manager as their IFM, PM and trustee;

    (b) there will not be any change in how the Funds are managed, to the investment objectives and strategies of the Funds or to the expenses that are charged to the Funds, as a result of the Proposed Transaction;

(c) the current members of the Independent Review Committee (IRC) of the Funds will cease to be IRC members pursuant to section 3.10(1)(c) of National Instrument 81-107 *Independent Review Committee for Investment Funds* (NI 81-107), however, it is currently expected that the Manager will appoint the same individuals as members of the IRC in accordance with section 3.3(5) of NI 81-107;

(d) the Manager will continue to operate as it currently operates with the same employees and offices;

(e) only minor changes of directors, officers and advising representatives of the Manager are likely to occur; and

(f) the Proposed Transaction is only expected to benefit the Manager and will not adversely affect the Manager's financial position or its ability to fulfill its regulatory obligations;

23. the Proposed Transaction is not expected to have any impact on the unitholders of the Funds;

24. the Manager has policies and procedures for addressing conflict of interest matters including compliance with the self-dealing provisions of applicable securities law; Credential, Qtrade and the Manager do not foresee that the Proposed Transaction will give rise to any conflicts of interest of a type different from those which are currently subject to oversight by the compliance personnel of the Manager;

25. all other required regulatory approvals and notices have been filed with the applicable Canadian securities regulatory authorities and self-regulatory organizations;

Notice Requirement

26. notice of the Proposed Transaction and indirect change of control of the Manager (the Notice) was mailed to each unitholder of the Funds on January 26, 2018 as required by section 5.8(1) of NI 81-102; the Proposed Transaction will become effective on April 1, 2018 or thereafter, accordingly, notice of the indirect change of control will have been given to unitholders of the Funds at least 60 days before the change;

NEI

27. as NEI is not currently "controlled" by any entity and, following the completion of the Proposed Transaction, will not be "controlled" by any entity (as per the definition of "control" under applicable securities legislation); accordingly, NEI will not be applying for approval pursuant to section 5.5(1)(a.1) of NI 81-102 nor will it be mailing notice of the Proposed Transaction to securityholders of the investment funds that it manages; and

Merger

28. for operational and administrative reasons the Merger will not take place when the Proposed Transaction closes; it is currently anticipated that the Merger will not occur before the third quarter of 2018; the Merger will be effected by the Manager transferring the management agreements for the Funds to NEI; after the Proposed Transaction closes, the Manager and NEI are planning to seek, with respect to the Merger, prior approval of the unitholders of the Funds pursuant to section 5.1(1)(b) of NI 81-102.

Decision

4 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 Approval Sought is granted.

"John Hinze"
Director, Corporate Finance
British Columbia Securities Commission

Schedule A
List of Funds

Meritas Strategic Income Fund	OceanRock Canadian Equity Fund
Meritas Canadian Bond Fund	OceanRock U.S. Equity Fund
Meritas Monthly Dividend and Income Fund	OceanRock International Equity Fund
Meritas Jantzi Social Index® Fund	OceanRock Income Portfolio
Meritas U.S. Equity Fund	OceanRock Income & Growth Portfolio
Meritas International Equity Fund	OceanRock Balanced Portfolio
Meritas Income Portfolio	OceanRock Growth & Income Portfolio
Meritas Income & Growth Portfolio	OceanRock Growth Portfolio
Meritas Balanced Portfolio	OceanRock Maximum Growth Portfolio
Meritas Growth & Income Portfolio	
Meritas Growth Portfolio	
Meritas Maximum Growth Portfolio	

2.2 Orders

2.2.1 European Metals Corp. – s. 144

Headnote

Application by an issuer for a revocation of a cease trade order issued by the Commission – cease trade order issued because the issuer had failed to file certain continuous disclosure materials required by Ontario securities law – defaults subsequently remedied by bringing continuous disclosure filings up-to-date – cease trade order revoked.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as amended, ss. 127 and 144.

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, C. S.5, AS AMENDED
(the "Act")

AND

IN THE MATTER OF
EUROPEAN METALS CORP.

ORDER
(Section 144 of the Act)

WHEREAS the securities of European Metals Corp. (the **"Applicant"**) are subject to a cease trade order dated May 5, 2016 issued by the Director of the Ontario Securities Commission (the **"Commission"**) pursuant to paragraph 2 of subsection 127(1) and subsection 127(4.1) of the Act (the **"Ontario Cease Trade Order"**) directing that trading in securities of the Applicant, whether direct or indirect, cease until the order is revoked by the Director;

AND WHEREAS the Ontario Cease Trade Order was made on the basis that the Applicant was in default of certain filing requirements under Ontario securities law as described in the Ontario Cease Trade Order;

AND WHEREAS the Applicant has applied to the Commission pursuant to section 144 of the Act to revoke the Ontario Cease Trade Order;

AND UPON the Applicant having represented to the Commission that:

1. The Applicant was incorporated under the federal laws of Canada on May 30, 1997.

2. The Applicant's registered office is located in Toronto, Ontario. The Applicant's principal regulator is the Commission.

3. The Applicant is a reporting issuer in the provinces of Ontario, British Columbia, and Alberta (the **"Reporting Jurisdictions"**). The Applicant is not a reporting issuer in any other jurisdiction in Canada.

4. The Applicant's authorized capital consists of an unlimited number of common shares (the **"Common Shares"**). As at the date hereof, there were 1,392,762,564 Common Shares issued and outstanding.

5. Other than (i) outstanding incentive stock options exercisable for an aggregate of 66,500,000 Common Shares; (ii) outstanding warrants to purchase an aggregate of 704,958,200 Common Shares; and (iii) 10,000,000 Common Shares pursuant to contractual arrangements, no Common Shares are reserved for issuance pursuant to outstanding convertible securities.

6. Other than the Common Shares, the Applicant has no securities (including debt securities) issued and outstanding.

7. The Applicant is a junior mining exploration company focused on precious and base metals.

8. The Ontario Cease Trade Order was issued as a result of the Applicant's failure to file its audited annual financial statements and related management's discussion & analysis (**MD&A**) for the year ended December 31, 2015 within the prescribed time frame as required under National Instrument 51-102 Continuous Disclosure Obligations and related

certifications (the **NI 52-109 Certificates**) as required by National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*.

9. The Applicant is also subject to a cease trade order dated May 12, 2016 (the **"BC Cease Trade Order"**) issued by the British Columbia Securities Commission (the **"BCSC"**) and a reciprocal cease trade order issued by the Alberta Securities Commission (the **"ASC"**) (together with the Ontario Cease Trade Order, the BC Cease Trade Order and the ASC reciprocal cease trade order, the **"Cease Trade Orders"**). The Applicant has concurrently applied to the BCSC for an order for revocation of the BC Cease Trade Order.

10. Subsequent to the issuance of the Ontario Cease Trade Order, the Applicant has filed the following continuous disclosure documents with the Reporting Jurisdictions (collectively, the **Outstanding Filings**):

    (i) audited annual financial statements, MD&A and NI 52-109 Certificates for the year ended December 31, 2015;

    (ii) unaudited interim financial statements, MD&A and NI 52-109 Certificates for the three month periods ended March 31, 2016, June 30, 2016 and September 30, 2016;

    (iii) audited annual financial statements, MD&A and NI 52-109 Certificates for the year ended December 31, 2016; and

    (iv) unaudited interim financial statements, MD&A and NI 52-109 Certificates for the three month period ended March 31, 2017, June 30, 2017 and September 30, 2017.

11. The Applicant (i) is up-to-date with all of its continuous disclosure obligations; (ii) is not in default of any of its obligations under the Ontario Cease Trade Order (other than as set out in paragraph 12, below); and (iii) is not in default of any requirements under applicable securities legislation or the rules and regulations made pursuant thereto in any of the Reporting Jurisdictions, except for the existence of the Cease Trade Orders.

12. On January 5, 2016, the Applicant issued a news release announcing that it signed a non-binding letter of intent which sets out the proposed terms and conditions of a transaction, whereby the Applicant will acquire approximately 78% of the issued and outstanding shares of EuroGas AG (**EuroGas**), a private Swiss company in the business of mining and oil and gas exploration and development, from ZB Capital AG (**ZBC**), a private Swiss company and the majority shareholder of EuroGas. The transaction was to take the form of a contractual share exchange pursuant to which the Applicant will acquire 100% of the EuroGas shares held by ZBC in exchange for the issuance to ZBC of units of the Applicant. The Applicant's MD&A for the year ended December 31, 2016 noted that the transaction was not completed and the negotiations were terminated. Staff of the Commission have advised that this may have been an act in furtherance of a trade in contravention of the Ontario Cease Trade Order. Except for the announcement of the non-binding letter of intent, there have been no material changes in the business, operations or affairs of the Applicant since the issuance of the Ontario Cease Trade Order.

13. The Applicant's Common Shares were listed for trading on the Canadian Securities Exchange under the symbol "ECU" on February 25, 2014 but trading in such securities was halted on May 5, 2016 because of the Ontario Cease Trade Order. The Applicant's securities are not listed or quoted on any other exchange or market in Canada or elsewhere, other than on the OTC Pink Market under the symbol "MNTCF" and on the Frankfurt Exchange under the symbol "4MM".

14. As of the date hereof, the Applicant has paid all outstanding activity, participation and late filing fees that are required to be paid to the Commission and has filed all forms associated with such payments.

15. Since the issuance of the Cease Trade Orders, there have been no material changes in the business, operations or affairs of the Applicant which have not been disclosed by news release and/or material change report and filed on SEDAR.

16. The Applicant has filed all outstanding continuous disclosure documents that are required to be filed in the Reporting Jurisdictions.

17. Other than the Cease Trade Orders, the Applicant has not previously been subject to a cease trade order issued by any securities regulatory authority.

18. The Applicant is not considering, nor is it involved in any discussions relating to a reverse take-over, merger, amalgamation or other form of combination or transaction similar to any of the foregoing.

19. The Applicant intends to hold an annual meeting of shareholders within three months of the revocation of the Ontario Cease Trade Order and will prepare a management information circular which will be mailed to shareholders and filed on SEDAR in accordance with Form 51-102F5.

20. The Applicant's SEDAR issuer profile and SEDI issuer profile supplement are current and accurate.

21. The Applicant has given the Commission a written undertaking that:

    (a) The Applicant will hold an annual meeting of shareholders within three months after the date on which the Ontario Cease Trade Order is revoked; and

    (b) The Applicant will not complete:

        i. A restructuring transaction involving, directly or indirectly, an existing or proposed, material underlying business which is not located in Canada,

        ii. A reverse takeover with a reverse takeover acquirer that has a direct or indirect, existing or proposed, material underlying business which is not located in Canada, or

        iii. A significant acquisition involving, directly or indirectly, an existing or proposed, material underlying business which is not located in Canada,

        unless

        A. The Applicant files a preliminary prospectus and a final prospectus with the Commission and obtains receipts for the preliminary and final prospectus from the Director under the Act,

        B. The Applicant files or delivers with the preliminary prospectus and the final prospectus the documents required by Part 9 of National Instrument 41-101 *General Prospectus Requirements* (**NI 41-101**) including a completed personal information form and authorization in the form set out in Appendix A of NI 41-101 for each current and incoming director, executive officer and promoter of the Applicant, and

        C. The preliminary prospectus and final prospectus contain the information required by applicable securities legislation, including the information required for a probable restructuring transaction, reverse takeover or significant acquisition (as applicable).

22. Upon the revocation of the Ontario Cease Trade Order, the Applicant will issue a news release and concurrently file a material change report on SEDAR announcing the revocation of the Ontario Cease Trade Order, the Outstanding Filings and outlining the Applicant's future plans.

AND UPON considering the application and the recommendation of the staff of the Commission; and

AND UPON the Director being satisfied that it would not be prejudicial to the public interest to revoke the Ontario Cease Trade Order;

IT IS ORDERED pursuant to section 144 of the Act that the Ontario Cease Trade Order is revoked.

DATED at Toronto on this 29th day of March, 2018.

"Jo-Anne Matear"
Manager, Corporate Finance
Ontario Securities Commission

2.2.2 Brian Michael Sutton and Investment Industry Regulatory Organization of Canada – ss. 8, 21.7

FILE NO.: 2017-37 and 2018-10

IN THE MATTER OF
BRIAN MICHAEL SUTTON

AND

IN THE MATTER OF
INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

Timothy Moseley, Vice-Chair and Chair of the Panel

April 2, 2018

ORDER
Sections 8 and 21.7 of the
Securities Act, RSO 1990, c S.5

WHEREAS on March 29, 2018, the Ontario Securities Commission (**Commission**) held a hearing in writing in relation to an application by Brian Michael Sutton (**Sutton**) filed on March 5, 2018 to review decisions of the Investment Industry Regulatory Organization of Canada (**IIROC**) dated July 5, 2017 and January 31, 2018 (the **Sutton Application**), and in relation to an application filed by IIROC to review a decision January 31, 2018 (the **IIROC Application**);

ON READING the Sutton Application, the IIROC Application, and the correspondence of Sutton, IIROC, and Staff of the Commission (**Staff**); including the parties' consent to hearing the Sutton Application and the IIROC Application together;

IT IS ORDERED THAT:

1. IIROC and Sutton shall ensure that the record of the original proceeding is filed no later than April 27, 2018;

2. Sutton shall serve and file submissions on the Sutton Application and IIROC shall serve and file submissions on the IIROC Application no later than May 18, 2018;

3. Sutton shall serve and file responding submissions on the IIROC Application and IIROC shall serve and file responding submissions on the Sutton Application no later than June 11, 2018;

4. Staff shall file and serve submissions by June 20, 2018;

5. The April 5, 2018 hearing date is vacated;

6. Pursuant to subsection 9.1(1)(b) of the Statutory Powers and Procedure Act, RSO 1990, c S.22, the Sutton Application and the IIROC Application will be heard at the same time; and

7. The hearing of both applications will be held on June 28, 2018, commencing at 10:00 a.m. or on such other dates or times as may be agreed to by the parties and set by the Office of the Secretary.

"Timothy Moseley"

2.2.3 Miles S. Nadal

FILE NO.: 2017-77

IN THE MATTER OF
MILES S. NADAL

Philip Anisman, Commissioner and Chair of the Panel

April 2, 2018

ORDER

WHEREAS on April 2, 2018 the Ontario Securities Commission held a hearing at 20 Queen Street West, 17th Floor, Toronto, Ontario to consider the scheduling of an oral hearing on the merits in this proceeding;

ON HEARING the submissions of the representatives for Staff of the Commission ("**Staff**") and for Miles S. Nadal (the "**Respondent**");

IT IS ORDERED THAT:

1. the hearing on the merits shall be heard on May 31, 2018, commencing at 10:00 a.m.;

2. Staff's written submissions shall be served and filed by May 11, 2018; and

3. the Respondent's written submissions shall be served and filed by May 18, 2018.

"Philip Anisman"

2.4 Rulings

2.4.1 MEAG MUNICH ERGO Asset Management GmbH

Headnote

Application to the Ontario Securities Commission for a ruling pursuant to subsection 74(1) of the Securities Act (Ontario) (the Act) for a ruling that the Applicant be exempted from the adviser registration requirements in subsection 25(3) of the Act. The Applicant will provide advice to certain Canadian affiliates in Ontario only for so long as such affiliates remain affiliates of the Applicant. Filer acknowledged its activities did not comply with the registration requirements under applicable Canadian securities legislation. Exemptive relief granted is not retroactive.

Applicable Legislative Provisions

Securities Act, R.S.O., c. S.5, as am., ss. 25(3) and 74(1).

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, c. S.5, AS AMENDED
(THE ACT)

AND

IN THE MATTER OF
MEAG MUNICH ERGO ASSET MANAGEMENT GMBH

RULING
(Section 74 of the Act)

UPON the application (the **Application**) of MEAG MUNICH ERGO Asset Management GmbH (the **Applicant**) to the Ontario Securities Commission (the **Commission**) for a ruling pursuant to subsection 74(1) of the Act that the Applicant be exempted from the adviser registration requirements in subsection 25(3) of the Act;

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 corporation existing under the laws of the Federal Republic of Germany, based in the City of Munich, Germany.

2. The Applicant is exempt from the obligation to obtain the authorization of BaFin, the Federal Financial Supervisory Authority, to provide financial services pursuant to the German Banking Act (*Kreditwesengesetz*) on the basis that it provides such services exclusively to affiliated entities.

3. The Applicant does not have an office or employees in Canada.

4. As of December 31, 2017, the Applicant's discretionary client assets under management totalled approximately EUR 236.6 billion.

5. The Applicant is part of a corporate group of companies headquartered in Germany and collectively known as the '**Munich Re Group**'. The Applicant is an affiliated company of Munich Re (defined below), Munich Reinsurance Company of Canada, Temple Insurance Company, The Boiler Inspection and Insurance Company of Canada, and Munich Reinsurance America, Inc. (collectively, the **Insurance Companies**), which are insurance companies that carry on business in Canada as Canadian federally licensed insurance companies with their Canadian head offices located in Ontario. The Applicant is also an affiliated company of Munich Holdings Ltd. (the **Canadian Company**, and, together with the Insurance Companies, the **Affiliated Companies**), established under the laws of Canada with its Canadian head office located in Ontario. Each of the Affiliated Companies is a direct or indirect wholly-owned subsidiary or branch of Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München (**Munich Re**), a global re-insurance company. Munich Re operates as an insurance company in Canada on a branch basis.

6. With respect to the above Affiliated Companies: Munich Reinsurance Company of Canada is registered federally and licensed in Ontario, Québec and British Columbia to write the following classes of business - property, accident and sickness, aircraft, automobile, boiler and machinery, credit, fidelity, hail, liability, surety and marine. Temple Insurance

Company, a member of the Munich Re Group, is registered federally to underwrite large industrial and commercial risk management accounts. The Boiler Inspection and Insurance Company of Canada is registered federally to set the standard in equipment breakdown insurance and other specialty insurance and reinsurance coverages worldwide. Munich Reinsurance America, Inc. is a major provider of property and casualty reinsurance in the United States, and is registered federally to operate through its branch in Canada. Munich Holdings Ltd is the holding company of Munich Reinsurance Company of Canada and Temple Insurance Company, with no further insurance operations in Canada.

7. Each of the Affiliated Companies is an "affiliate" of the Applicant, as defined in the Act. Each of the Affiliated Companies is also a "permitted client" as that term is defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**NI 31-103**).

8. The Applicant provides investment management services exclusively to entities affiliated with Munich Re, which include branches, subsidiaries and other related entities in the Munich Re Group.

9. The Applicant intends to provide investment advice and portfolio management services to the Affiliated Companies with respect to the portfolio assets of the Affiliated Companies maintained in connection with their respective Canadian businesses.

10. Currently, the Applicant has a sub-adviser agreement with MEAG New York (**MEAG NY**), another affiliate of Munich Re (the **Sub-Adviser Agreement**). MEAG NY provides investment management services to entities affiliated with Munich Re, including branches, subsidiaries and other related entities in the Munich Re Group. MEAG NY manages the assets of the Affiliated Companies under the respective investment management agreements that are in place between MEAG NY and the Affiliated Companies.

11. The Sub-Adviser Agreement sub-delegates the portfolio management and asset investment in tradeable fixed income and money market investments as well as cash/currencies and derivatives of the Affiliated Companies. There is no direct contractual relationship between the Affiliated Companies and the Applicant.

12. Under the Sub-Adviser Agreement, the Applicant provides investment advice and portfolio management services to MEAG NY to assist MEAG NY in its provision of advisory services in respect of the portfolio assets of the Affiliated Companies maintained in connection with their respective Canadian businesses. MEAG NY has responsibility for all advice it renders to the Affiliated Companies and the Applicant is fully qualified to render the specific advice sought. Such services have been provided by the Applicant since approximately 2011. The Applicant provided these services to the Affiliated Companies without obtaining adviser registration under the Act on the basis of a good faith determination that it was not providing advice to others with respect to investing in securities or buying or selling securities because it was providing such services only to affiliates within the Munich Re Group, and that its provision of such services did not constitute the "engaging in the business" of an adviser. The Applicant seeks to continue to provide such investment advice and portfolio management services on a basis that would not require registration under the Act.

13. Except as indicated above, the Applicant is not in default of any requirements of securities legislation of any jurisdiction in Canada. The Applicant is, in all material respects, in compliance with the securities laws of Germany.

14. Currently, the Applicant has no direct investment management agreement with the Affiliated Companies. The Applicant seeks to continue to provide services under the Sub-Adviser Agreement and intends to enter into a separate investment management agreement directly with one or more of the Affiliated Companies under which the Applicant will buy specific types of investments in which MEAG NY does not have the investment expertise. MEAG NY will continue to advise the Affiliated Companies.

15. The Applicant is not registered as an adviser in any jurisdiction of Canada and cannot rely on the international adviser exemption set out in section 8.26 of NI 31-103. In the advisory relationship between the Applicant and the Affiliated Companies, the Applicant is providing investment advice and portfolio management services that include advice in respect of Canadian securities (being part of the investment objectives of the Canadian portfolios of the Affiliated Companies). However, the international adviser exemption in section 8.26 of NI 31-103 is not applicable with respect to the Canadian portfolio assets of the Affiliated Companies that would be managed by the Applicant since such advice is not incidental to the advice it is providing on a "foreign security" (as defined in subsection 8.26(2) of NI 31-103).

16. There is no requirement for employees of a corporation to be registered as advisers under the Act if the employees provide investment advice to their corporate employers with respect to the portfolio assets of such corporate employers. The Affiliated Companies do not currently employ individuals to provide investment advice with respect to its Canadian portfolio assets, but rather the Affiliated Companies have outsourced the adviser function to the Applicant and MEAG NY, affiliates of the Affiliated Companies. Outsourcing the investment function is permitted under the federal or provincial insurance company legislation, as applicable.

17. All portfolio assets of the Affiliated Companies managed by the Applicant are beneficially owned by each of the respective Affiliated Companies. There are no external stakeholders (such as, for example, holders of variable annuity contracts or segregated/separate accounts for policyholders) that have any direct or indirect interest in the performance of such portfolios. Accordingly, there are no stakeholders in Ontario or elsewhere other than the Affiliated Companies and their direct or indirect owner, Munich Re, that will be directly affected by the results of the investment advice and portfolio management services to be provided by the Applicant. Therefore, it should not be prejudicial to the public interest to grant the relief requested by the Applicant.

AND WHEREAS section 74 of the Act provides that a ruling may be made by the Commission that a person or company is not subject to section 25 of the Act, subject to such terms and conditions as the Commission considers necessary, where the Commission is satisfied that to do so would not be prejudicial to the public interest;

AND UPON the Commission being satisfied that to do so would not be prejudicial to the public interest;

IT IS RULED, pursuant to section 74 of the Act, that the Applicant is exempt from the adviser registration requirements of subsection 25(3) of the Act in respect of it acting as an adviser, provided that:

(a) the Applicant provides investment advice and portfolio management services in Ontario only to its affiliates that:

  (i) are licensed or otherwise duly permitted or authorized to carry on the business of an insurance company in Canada or a branch of a foreign insurance company in Canada, or

  (ii) are holding companies that have as their principal business activity to hold securities of one or more affiliates that are each licensed or otherwise duly permitted or authorized to carry on business as an insurance company in Canada;

(b) with respect to any particular affiliate described in paragraph (a), the investment advice and portfolio management services are provided only as long as that affiliate remains:

  (i) an “affiliate” of the Applicant, as defined in the Act, and

  (ii) a “permitted client” as defined in NI 31-103;

(c) the Applicant notifies the Commission of any regulatory action initiated after the date of this Ruling in respect of the Applicant, or, to the best of the Applicant’s knowledge and after reasonable inquiry, any predecessors or “specified affiliates” (as defined in Form 33-109F6 to National Instrument 33-109 *Registration Information*) of the Applicant, by completing and filing with the Commission Appendix “A” hereto within ten days of the commencement of such action;

(d) the Applicant, in the course of its dealings with any particular affiliate described in paragraph (a), acts fairly, honestly and in good faith; and

(e) the Applicant is in compliance with, and remains in compliance with, any applicable adviser licensing or registration requirements under applicable securities legislation in Germany; and

(f) this Ruling will terminate on the earliest of:

  (i) five years after the date of this Ruling; and

  (ii) the coming into force of a change in securities legislation that exempts the Applicant from the registration requirement in connection with the advising activity it provides to any particular affiliate described in paragraph (a) on terms and conditions other than those set out in this Ruling.

DATED at Toronto, Ontario, this **28th** day of **March**, 2018.

“William Furlong”	“Mark J. Sandler”
Commissioner	Commissioner
Ontario Securities Commission	Ontario Securities Commission

APPENDIX "A"
NOTICE OF REGULATORY ACTION

1. Settlement agreements

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. Disciplinary history

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. Ongoing investigations

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

Authorized signing officer or partner

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 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
European Metals Corp.	05 May 2016	29 March 2018

4.2.1 Temporary, Permanent & Rescinding Management Cease Trading Orders

Company Name	Date of Order	Date of Lapse
THERE IS NOTHING TO REPORT THIS WEEK.		

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
Katanga Mining Limited	15 August 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:
Mackenzie Canadian Large Cap Growth Fund
Mackenzie Emerging Markets Class
Principal Regulator - Ontario
Type and Date:
Amendment #3 to Final Simplified Prospectus dated March 29, 2018
Received on April 2, 2018
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Quadrus Investment Services Ltd.
Promoter(s):
Mackenzie Financial Corporation
Project #2621242

Issuer Name:
BMO Ascent Balanced Portfolio
BMO Ascent Conservative Portfolio
BMO Ascent Equity Growth Portfolio
BMO Ascent Growth Portfolio
BMO Ascent Income Portfolio
BMO Asian Growth and Income Class
BMO Asian Growth and Income Fund
BMO Asset Allocation Fund
BMO Balanced ETF Portfolio
BMO Balanced ETF Portfolio Class
BMO Balanced Yield Plus ETF Portfolio
BMO Bond Fund
BMO Canadian Equity Class
BMO Canadian Equity ETF Fund
BMO Canadian Equity Fund
BMO Canadian Large Cap Equity Fund
BMO Canadian Small Cap Equity Fund
BMO Canadian Stock Selection Fund
BMO Concentrated Global Equity Fund
BMO Conservative ETF Portfolio
BMO Core Bond Fund
BMO Core Plus Bond Fund
BMO Covered Call Canada High Dividend ETF Fund
BMO Covered Call Canadian Banks ETF Fund
BMO Covered Call Europe High Dividend ETF Fund
BMO Covered Call U.S. High Dividend ETF Fund
BMO Crossover Bond Fund
BMO Diversified Income Portfolio
BMO Dividend Class
BMO Dividend Fund
BMO Emerging Markets Bond Fund
BMO Emerging Markets Fund
BMO Equity Growth ETF Portfolio
BMO Equity Growth ETF Portfolio Class
BMO European Fund
BMO Extra Income Global Bond Fund
BMO Fixed Income ETF Portfolio
BMO Fixed Income Yield Plus ETF Portfolio
BMO Floating Rate Income Fund
BMO Fossil Fuel Free Fund
BMO FundSelect Balanced Portfolio
BMO FundSelect Equity Growth Portfolio
BMO FundSelect Growth Portfolio
BMO FundSelect Income Portfolio
BMO Global Balanced Fund
BMO Global Diversified Fund
BMO Global Dividend Class
BMO Global Dividend Fund
BMO Global Energy Class
BMO Global Equity Class
BMO Global Equity Fund
BMO Global Growth & Income Fund
BMO Global Infrastructure Fund
BMO Global Low Volatility ETF Class
BMO Global Monthly Income Fund
BMO Global Small Cap Fund
BMO Global Strategic Bond Fund
BMO Greater China Class
BMO Growth & Income Fund
BMO Growth ETF Portfolio
BMO Growth ETF Portfolio Class
BMO Growth Opportunities Fund
BMO Income ETF Portfolio
BMO Income ETF Portfolio Class
BMO International Equity ETF Fund
BMO International Equity Fund
BMO International Value Class
BMO International Value Fund
BMO Japan Fund
BMO Laddered Corporate Bond Fund
BMO LifeStage Plus 2022 Fund
BMO LifeStage Plus 2025 Fund
BMO LifeStage Plus 2026 Fund
BMO LifeStage Plus 2030 Fund
BMO Money Market Fund
BMO Monthly Dividend Fund Ltd.
BMO Monthly High Income Fund II
BMO Monthly Income Fund
BMO Mortgage and Short-Term Income Fund
BMO Multi-Factor Equity Fund
BMO North American Dividend Fund
BMO Precious Metals Fund
BMO Preferred Share Fund
BMO Resource Fund
BMO Retirement Balanced Portfolio
BMO Retirement Conservative Portfolio
BMO Retirement Income Portfolio
BMO Risk Reduction Equity Fund
BMO Risk Reduction Fixed Income Fund
BMO SelectClass Balanced Portfolio

BMO SelectClass Equity Growth Portfolio
BMO SelectClass Growth Portfolio
BMO SelectClass Income Portfolio
BMO SelectTrust Balanced Portfolio
BMO SelectTrust Conservative Portfolio
BMO SelectTrust Equity Growth Portfolio
BMO SelectTrust Fixed Income Portfolio
BMO SelectTrust Growth Portfolio
BMO SelectTrust Income Portfolio
BMO Tactical Balanced ETF Fund
BMO Tactical Dividend ETF Fund
BMO Tactical Global Asset Allocation ETF Fund
BMO Tactical Global Bond ETF Fund
BMO Tactical Global Equity ETF Fund
BMO Tactical Global Growth ETF Fund
BMO Target Education 2020 Portfolio
BMO Target Education 2025 Portfolio
BMO Target Education 2030 Portfolio
BMO Target Education 2035 Portfolio
BMO Target Education Income Portfolio
BMO U.S. Dividend Fund
BMO U.S. Dollar Balanced Fund
BMO U.S. Dollar Dividend Fund
BMO U.S. Dollar Equity Index Fund
BMO U.S. Dollar Money Market Fund
BMO U.S. Dollar Monthly Income Fund
BMO U.S. Equity Class
BMO U.S. Equity ETF Fund
BMO U.S. Equity Fund
BMO U.S. Equity Plus Fund
BMO U.S. High Yield Bond Fund
BMO U.S. Small Cap Fund
BMO Women in Leadership Fund
BMO World Bond Fund
Principal Regulator - Ontario
Type and Date:
Combined Preliminary and Pro Forma Simplified Prospectus dated March 23, 2018
NP 11-202 Preliminary Receipt dated March 27, 2018
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
BMO Investments Inc.
Promoter(s):
BMO Investments Inc.
Project #2744768

Issuer Name:
Desjardins IBrix Canadian High Dividend Equity Fund
Desjardins IBrix Canadian Equity Focus Fund
Global and International Equity Funds
Desjardins IBrix Low Volatility Global Equity Fund
Desjardins IBrix Global Equity Focus Fund
Desjardins Global Equity Growth Fund
Principal Regulator - Quebec
Type and Date:
Amendment #1 to Final Simplified Prospectus dated March 27, 2018
Received on March 28, 2018
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
Desjardins Investments Inc.
Project #2699498

Issuer Name:
Evolve Innovation Index ETF
Principal Regulator - Ontario
Type and Date:
Preliminary Long Form Prospectus dated March 28, 2018
NP 11-202 Preliminary Receipt dated April 2, 2018
Offering Price and Description:
Units
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
Evolve Funds Group Inc.
Project #2751973

Issuer Name:
Excel China Fund
Principal Regulator - Ontario
Type and Date:
Amendment #3 to Final Simplified Prospectus dated March 28, 2018
Received on March 28, 2018
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Excel Funds Management Inc.
Promoter(s):
Excel Funds Management Inc.
Project #2671952

Issuer Name:
Mackenzie Canadian Money Market Fund
Mackenzie Canadian Bond Fund
Mackenzie Canadian Short Term Income Fund
Mackenzie Corporate Bond Fund
Mackenzie Floating Rate Income Fund
Mackenzie Global Credit Opportunities Fund
Mackenzie Global Tactical Bond Fund
Mackenzie Global Tactical Investment Grade Bond Fund
Mackenzie Investment Grade Floating Rate Fund
Mackenzie North American Corporate Bond Fund
Mackenzie Strategic Bond Fund
Mackenzie Unconstrained Fixed Income Fund
Mackenzie USD Global Tactical Bond Fund
Mackenzie USD Ultra Short Duration Income Fund
Mackenzie Canadian All Cap Balanced Fund
Mackenzie Canadian Balanced Fund
Mackenzie Canadian Growth Balanced Fund
Mackenzie Cundill Canadian Balanced Fund
Mackenzie Global Strategic Income Fund
Mackenzie Global Sustainability and Impact Balanced Fund
Mackenzie Income Fund
Mackenzie Ivy Canadian Balanced Fund
Mackenzie Ivy Global Balanced Fund
Mackenzie Strategic Income Fund
Mackenzie US Strategic Income Fund
Mackenzie USD Global Strategic Income Fund
Mackenzie Canadian All Cap Dividend Fund
Mackenzie Canadian All Cap Dividend Growth Fund
Mackenzie Canadian All Cap Value Fund
Mackenzie Canadian Growth Fund
Mackenzie Canadian Large Cap Dividend Fund
Mackenzie Canadian Large Cap Growth Fund
Mackenzie Canadian Small Cap Fund
Mackenzie Cundill Canadian Security Fund
Mackenzie Growth Fund
Mackenzie Ivy Canadian Fund
Mackenzie Private Canadian Money Market Pool
Mackenzie Private Canadian Focused Equity Pool
Mackenzie Private Global Conservative Income Balanced Pool
Mackenzie Private Global Equity Pool
Mackenzie Private Global Fixed Income Pool
Mackenzie Private Global Income Balanced Pool
Mackenzie Private Income Balanced Pool
Mackenzie Private US Equity Pool
Mackenzie US All Cap Growth Fund
Mackenzie US Dividend Fund
Mackenzie US Dividend Registered Fund
Mackenzie US Low Volatility Fund
Mackenzie All China Equity Fund
Mackenzie Cundill Recovery Fund
Mackenzie Cundill Value Fund
Mackenzie Global Dividend Fund
Mackenzie Global Equity Fund
Mackenzie Global Low Volatility Fund
Mackenzie Global Small Cap Fund
Mackenzie Global Leadership Impact Fund
Mackenzie Ivy Foreign Equity Fund
Mackenzie Ivy International Fund
Mackenzie Ivy International Equity Fund
Mackenzie Canadian Resource Fund
Mackenzie Monthly Income Balanced Portfolio
Mackenzie Monthly Income Conservative Portfolio
Symmetry Balanced Portfolio
64.Symmetry Conservative Income Portfolio
Symmetry Conservative Portfolio
Symmetry Fixed Income Portfolio
Symmetry Growth Portfolio
Symmetry Moderate Growth Portfolio
Mackenzie Diversified Alternatives Fund
Mackenzie High Diversification Emerging Markets Equity Fund
Mackenzie High Diversification European Equity Fund
Mackenzie High Diversification Global Equity Fund
Mackenzie High Diversification International Equity Fund
Mackenzie High Diversification US Equity Fund
Mackenzie Canadian Money Market Class
Mackenzie Canadian All Cap Balanced Class
Mackenzie Canadian Growth Balanced Class
Mackenzie Ivy Canadian Balanced Class
Mackenzie Ivy Global Balanced Class
Mackenzie Canadian All Cap Dividend Class
Mackenzie Canadian All Cap Value Class
Mackenzie Canadian Growth Class
Mackenzie Canadian Large Cap Dividend Class
Mackenzie Canadian Small Cap Class
Mackenzie Cundill Canadian Security Class
Mackenzie Cundill US Class
Mackenzie US Growth Class
Mackenzie US Large Cap Class
Mackenzie US Mid Cap Growth Class
Mackenzie US Mid Cap Growth Currency Neutral Class
Mackenzie Cundill Recovery Class
Mackenzie Cundill Value Class
Mackenzie Emerging Markets Class
Mackenzie Emerging Markets Opportunities Class
Mackenzie Global Growth Class
Mackenzie Global Small Cap Class
Mackenzie Ivy International Class
Mackenzie Ivy European Class
Mackenzie Ivy Foreign Equity Class
Mackenzie Ivy Foreign Equity Currency Neutral Class
Mackenzie Global Resource Class
Mackenzie Gold Bullion Class
Mackenzie Precious Metals Class
Symmetry Balanced Portfolio Class
Symmetry Conservative Income Portfolio Class
Symmetry Conservative Portfolio Class
Symmetry Equity Portfolio Class
Symmetry Growth Portfolio Class
Symmetry Moderate Growth Portfolio Class
Mackenzie High Diversification Canadian Equity Class
Mackenzie Private Canadian Focused Equity Pool Class
Mackenzie Private Global Equity Pool Class
Mackenzie Private Income Balanced Pool Class
Mackenzie Private US Equity Pool Class
Principal Regulator - Ontario

Type and Date:
Amendment #1to Final Simplified Prospectus dated March 29, 2018
Received on April 2, 2018

Offering Price and Description:
-

Underwriter(s) or Distributor(s):
Quadrus Investment Services Ltd.

LBC Financial Services Inc.
Promoter(s):
Mackenzie Financial Corporation
Project #2656987

Issuer Name:
Mackenzie Balanced ETF Portfolio
Mackenzie Conservative ETF Portfolio
Mackenzie Conservative Income ETF Portfolio
Mackenzie Growth ETF Portfolio
Mackenzie Moderate Growth ETF Portfolio
Principal Regulator - Ontario
Type and Date:
Amendment #1 to Final Simplified Prospectus dated March 29, 2018
Received on April 2, 2018
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
Mackenzie Financial Corporation
Project #2694335

Issuer Name:
Mackenzie Income Fund
Mackenzie Canadian Short Term Income Fund
Mackenzie Cundill Recovery Fund
Principal Regulator - Ontario
Type and Date:
Amendment #1 to Final Simplified Prospectus dated March 29, 2018
Received on April 2, 2018
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
LBC Financial Services Inc.
Promoter(s):
Mackenzie Financial Corporation
Project #2680408

Issuer Name:
Mackenzie Emerging Markets Fund
Principal Regulator - Ontario
Type and Date:
Amendment #1 to Final Simplified Prospectus dated March 29, 2018
Received on April 2, 2018
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
MACKENZIE FINANCIAL CORPORATION
Project #2719732

Issuer Name:
Ninepoint Concentrated Canadian Equity Fund (formerly, Sprott Concentrated Canadian Equity Fund)
Ninepoint Diversified Bond Class (formerly, Sprott Diversified Bond Class)
Ninepoint Diversified Bond Fund (formerly, Sprott Diversified Bond Fund)
Ninepoint Energy Fund (formerly, Sprott Energy Fund)
Ninepoint Enhanced Balanced Class (Sprott Enhanced Balanced Class)
Ninepoint Enhanced Balanced Fund (formerly Sprott Enhanced Balanced Fund)
Ninepoint Enhanced Equity Class (formerly, Sprott Enhanced Equity Class)
Ninepoint Enhanced U.S. Equity Class (formerly, Sprott Enhanced U.S. Equity Class)
Ninepoint Focused Global Dividend Class (formerly, Sprott Focused Global Dividend Class)
Ninepoint Focused U.S. Dividend Class (formerly, Sprott Focused U.S. Dividend Class)
Ninepoint Global Infrastructure Fund (formerly, Sprott Global Infrastructure Fund)
Ninepoint Global Real Estate Fund (formerly, Sprott Global Real Estate Fund)
Ninepoint Gold and Precious Minerals Fund (formerly, Sprott Gold and Precious Minerals Fund
Ninepoint International Small Cap Fund (formerly, Sprott International Small Cap Fund)
Ninepoint Real Asset Class (formerly, Sprott Real Asset Class)
Ninepoint Resource Class (formerly, Sprott Resource Class)
Ninepoint Short-Term Bond Class (formerly, Sprott Short-Term Bond Class)
Ninepoint Short-Term Bond Fund(formerly, Sprott Short-Term Bond Fund)
Ninepoint Silver Equities Class (formerly, Sportt Silver Equities Class)
UIT Alternative Health Fund (formerly UIT Global REIT Fund)
Principal Regulator - Ontario
Type and Date:
Combined Preliminary and Pro Forma Simplified Prospectus dated March 22, 2018
NP 11-202 Preliminary Receipt dated March 27, 2018
Offering Price and Description:
Series D and I Units
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
Redwood Asset Management Inc.
Ninepoint Partners LP
Project #2745066

Issuer Name:
Global Healthcare Income & Growth ETF
Tech Leaders Income ETF
Principal Regulator - Ontario
Type and Date:
Final Long Form Prospectus dated March 28, 2018
NP 11-202 Receipt dated March 28, 2018
Offering Price and Description:
Units
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
Brompton Funds Limited
Project #2731171

Issuer Name:
iShares Canadian Corporate Bond Index ETF
iShares Canadian Government Bond Index ETF
iShares Canadian Growth Index ETF
iShares Canadian HYBrid Corporate Bond Index ETF
iShares Canadian Real Return Bond Index ETF
iShares Canadian Select Dividend Index ETF
iShares Canadian Value Index ETF
iShares China Index ETF
iShares Core Canadian Long Term Bond Index ETF
iShares Core Canadian Short Term Bond Index ETF (formerly, iShares Canadian Short Term Bond Index ETF)
iShares Core Canadian Short Term Corporate + Maple Bond Index ETF
iShares Core Canadian Universe Bond Index ETF (formerly, iShares Canadian Universe Bond Index ETF)
iShares Core MSCI All Country World ex Canada Index ETF
iShares Core MSCI Canadian Quality Dividend Index ETF
iShares Core MSCI EAFE IMI Index ETF
iShares Core MSCI EAFE IMI Index ETF (CAD-Hedged)
iShares Core MSCI Emerging Markets IMI Index ETF
iShares Core MSCI Global Quality Dividend Index ETF
iShares Core MSCI Global Quality Dividend Index ETF (CAD-Hedged)
iShares Core MSCI US Quality Dividend Index ETF
iShares Core MSCI US Quality Dividend Index ETF (CAD-Hedged)
iShares Core S&P 500 Index ETF
iShares Core S&P 500 Index ETF (CAD-Hedged)
iShares Core S&P U.S. Total Market Index ETF
iShares Core S&P U.S. Total Market Index ETF (CAD-Hedged)
iShares Core S&P/TSX Capped Composite Index ETF
iShares Edge MSCI Min Vol Canada Index ETF
iShares Edge MSCI Min Vol EAFE Index ETF
iShares Edge MSCI Min Vol EAFE Index ETF (CAD-Hedged)
iShares Edge MSCI Min Vol Emerging Markets Index ETF
iShares Edge MSCI Min Vol Global Index ETF
iShares Edge MSCI Min Vol Global Index ETF (CAD-Hedged)
iShares Edge MSCI Min Vol USA Index ETF
iShares Edge MSCI Min Vol USA Index ETF (CAD-Hedged)
iShares Edge MSCI Multifactor Canada Index ETF
iShares Edge MSCI Multifactor EAFE Index ETF
iShares Edge MSCI Multifactor EAFE Index ETF (CAD-Hedged)
iShares Edge MSCI Multifactor USA Index ETF
iShares Edge MSCI Multifactor USA Index ETF (CAD-Hedged)
iShares Floating Rate Index ETF
iShares Global Healthcare Index ETF (CAD-Hedged)
iShares India Index ETF
iShares J.P. Morgan USD Emerging Markets Bond Index ETF (CAD-Hedged)
iShares Jantzi Social Index ETF
iShares MSCI EAFE Index ETF (CAD-Hedged)
iShares MSCI Emerging Markets Index ETF
iShares MSCI Europe IMI Index ETF
iShares MSCI Europe IMI Index ETF (CAD-Hedged)
iShares MSCI World Index ETF
iShares NASDAQ 100 Index ETF (CAD-Hedged)
iShares S&P Global Consumer Discretionary Index ETF (CAD-Hedged)
iShares S&P Global Industrials Index ETF (CAD-Hedged)
iShares S&P U.S. Mid-Cap Index ETF
iShares S&P U.S. Mid-Cap Index ETF (CAD-Hedged)
iShares S&P/TSX 60 Index ETF
iShares S&P/TSX Capped Consumer Staples Index ETF
iShares S&P/TSX Capped Energy Index ETF
iShares S&P/TSX Capped Financials Index ETF
iShares S&P/TSX Capped Information Technology Index ETF
iShares S&P/TSX Capped Materials Index ETF
iShares S&P/TSX Capped REIT Index ETF
iShares S&P/TSX Capped Utilities Index ETF
iShares S&P/TSX Completion Index ETF
iShares S&P/TSX Composite High Dividend Index ETF (formerly, iShares Core S&P/TSX Composite High Dividend Index ETF)
iShares S&P/TSX Global Base Metals Index ETF
iShares S&P/TSX Global Gold Index ETF
iShares S&P/TSX North American Preferred Stock Index ETF (CAD-Hedged)
iShares S&P/TSX SmallCap Index ETF
iShares Short Term High Quality Canadian Bond Index ETF (FKA iShares Core Short Term High Quality Canadian Bond Index ET
iShares U.S. High Dividend Equity Index ETF
iShares U.S. High Dividend Equity Index ETF (CAD-Hedged)
iShares U.S. High Yield Bond Index ETF (CAD-Hedged)
iShares U.S. IG Corporate Bond Index ETF (CAD-Hedged)
iShares U.S. Small Cap Index ETF (CAD-Hedged)
Principal Regulator - Ontario
Type and Date:
Final Long Form Prospectus dated March 29, 2018
NP 11-202 Receipt dated April 2, 2018
Offering Price and Description:
Units
Underwriter(s) or Distributor(s):
BlackRock Asset Management Canada Limited
Promoter(s):
N/A
Project #2733360

Issuer Name:
iShares Conservative Short Term Strategic Fixed Income ETF
iShares Conservative Strategic Fixed Income ETF
iShares Diversified Monthly Income ETF
iShares Short Term Strategic Fixed Income ETF
Principal Regulator - Ontario
Type and Date:
Final Long Form Prospectus dated March 29, 2018
NP 11-202 Receipt dated April 2, 2018
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Blackrock Asset Management Canada Limited
Promoter(s):
N/A
Project #2733364

Issuer Name:
Manulife Multifactor Canadian Large Cap Index ETF
Manulife Multifactor Developed International Index ETF
Manulife Multifactor U.S. Large Cap Index ETF
Manulife Multifactor U.S. Mid Cap Index ETF
Principal Regulator - Ontario
Type and Date:
Final Long Form Prospectus dated March 29, 2018
NP 11-202 Receipt dated April 2, 2018
Offering Price and Description:
Unhedged Units and Hedged Units
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
N/A
Project #2730693

Issuer Name:
Purpose Enhanced Dividend Fund
Principal Regulator - Ontario
Type and Date:
Amendment #1 to Annual Information Form dated March 16, 2018
NP 11-202 Receipt dated March 27, 2018
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
Purpose Investments Inc.
Project #2674554

Issuer Name:
TD Emerald Balanced Fund
TD Emerald Canadian Bond Index Fund
TD Emerald Canadian Equity Index Fund
TD Emerald Canadian Short Term Investment Fund
TD Emerald Canadian Treasury Management - Government of Canada Fund
TD Emerald Canadian Treasury Management Fund
TD Emerald International Equity Index Fund
TD Emerald U.S. Market Index Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus dated March 29, 2018
NP 11-202 Receipt dated April 2, 2018
Offering Price and Description:
Institutional Class units and Class B units
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
N/A
Project #2729389

NON-INVESTMENT FUNDS

Issuer Name:
Euro Manganese Inc.
Principal Regulator - British Columbia
Type and Date:
Preliminary Long Form Prospectus dated March 29, 2018
NP 11-202 Preliminary Receipt dated March 29, 2018
Offering Price and Description:
$1,500,000.00 or 6,000,000 Common Shares
Price: $0.25 per Share
Underwriter(s) or Distributor(s):
Canaccord Genuity Corp.
Promoter(s):
Marco Romero
Roman Shklanka
Project #2750420

Issuer Name:
Nemaska Lithium Inc.
Principal Regulator - Quebec
Type and Date:
Preliminary Shelf Prospectus dated March 27, 2018
NP 11-202 Preliminary Receipt dated March 27, 2018
Offering Price and Description:
$500,000,000.00
Common Shares
Debt Securities
Subscription Receipts
Warrants
Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2744512

Issuer Name:
Physinorth Acquisition Corporation Inc.
Principal Regulator - Quebec
Type and Date:
Amendment dated March 29, 2018 to Final CPC Prospectus (TSX-V) dated December 18, 2017
Received on March 29, 2018
Offering Price and Description:
Minimum of $300,000.00 - 2,000,000 Common Shares
Maximum of $500,000.00 - 3,333,333 Common Shares
Price: $0.15 per share
Underwriter(s) or Distributor(s):
Jitney Trade Inc.
Promoter(s):
-
Project #2682294

Issuer Name:
Qylur Intelligent Systems Inc.
Principal Regulator - Ontario
Type and Date:
Amendment dated March 28, 2018 to Preliminary Long Form Prospectus dated March 9, 2018
NP 11-202 Preliminary Receipt dated March 28, 2018
Offering Price and Description:
$64,300,000.00
* Subordinate Voting Shares
Price: $ * per Subordinate Voting Share
Underwriter(s) or Distributor(s):
Macquarie Capital Markets Canada Ltd.
BMO Nesbitt Burns Inc.
Paradigm Capital Inc.
Promoter(s):
-
Project #2739408

Issuer Name:
Spey Resources Corp.
Principal Regulator - British Columbia
Type and Date:
Preliminary Long Form Prospectus dated March 29, 2018
Received on March 29, 2018
Offering Price and Description:
3,500,000 Common Shares
at a price of $0.10 per Share
Underwriter(s) or Distributor(s):
Mackie Research Capital Corporation
Promoter(s):
Marshall Farris
Project #2751731

Issuer Name:
Yamana Gold Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Shelf Prospectus dated March 29, 2018
NP 11-202 Preliminary Receipt dated March 29, 2018
Offering Price and Description:
US$1,000,000,000.00
Common Shares
Preference Shares
Debt Securities
Subscription Receipts
Units
Warrants
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2749883

Issuer Name:
Cronos Group Inc.
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated March 29, 2018
NP 11-202 Receipt dated March 29, 2018
Offering Price and Description:
$100,032,000.00 - 10,420,000 Common Shares
Price: $9.60 per Share
Underwriter(s) or Distributor(s):
GMP Securities L.P.
BMO Nesbitt Burns Inc.
Cormark Securities Inc.
Beacon Securities Limited
PI Financial Corp.
Promoter(s):
Alan Friedman
Project #2743424

Issuer Name:
Maricann Group Inc.
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated March 28, 2018
NP 11-202 Receipt dated March 29, 2018
Offering Price and Description:
21,131,250 Common Shares and 10,565,625 Warrants issuable upon deemed exercise of 20,125,000 Special Warrants
Per Special Warrant $2.00
Underwriter(s) or Distributor(s):
Eight Capital
Canaccord Genuity Corp.
Industrial Alliance Securities Inc.
Promoter(s):
-
Project #2722044

Issuer Name:
PONDEROUS PANDA CAPITAL CORP.
Principal Regulator - British Columbia
Type and Date:
Final CPC Prospectus (TSX-V) dated March 27, 2018
NP 11-202 Receipt dated March 28, 2018
Offering Price and Description:
$600,000.00 - 2,000,000 Common Shares
Price: $0.30 per Common Share
Underwriter(s) or Distributor(s):
Canaccord Genuity Corp.
Promoter(s):
Rodney W. Reum
Project #2731357

Issuer Name:
Tinka Resources Limited
Principal Regulator - British Columbia
Type and Date:
Final Short Form Prospectus dated March 28, 2018
NP 11-202 Receipt dated March 28, 2018
Offering Price and Description:
$7,008,000 - 14,600,000 Units
Price: $0.48 per Unit
Underwriter(s) or Distributor(s):
GMP Securities L.P.
Canaccord Genuity Corp.
Beacon Securities Limited
CIBC World Markets Inc.
Industrial Alliance Securities Inc.
Promoter(s):
-
Project #2740423

Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
New Registration	JSL Asset Management Inc.	Portfolio Manager, Investment Fund Manager and Exempt Market Dealer	March 27, 2018
Voluntary Surrender	Wellington Management Canada LLC	Commodity Trading Manager, Exempt Market Dealer and Portfolio Manager	April 2, 2018
New Registration	Wellington Management Canada ULC	Commodity Trading Manager, Exempt Market Dealer and Portfolio Manager	April 2, 2018
New Registration	Hueniken Asset Management Inc.	Exempt Market Dealer and Portfolio Manager	March 29, 2018

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Chapter 13

SROs, Marketplaces, Clearing Agencies and Trade Repositories

13.1 SROs

13.1.1 IIROC – Proposed Amendments Respecting Mandatory Reporting of Cybersecurity Incidents – Request for Comment

REQUEST FOR COMMENT

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA (IIROC)

PROPOSED AMENDMENTS RESPECTING MANDATORY REPORTING OF CYBERSECURITY INCIDENTS

IIROC is publishing for public comment proposed amendments to the Dealer Member Rules (DMRs) and corresponding amendments for the proposed IIROC Dealer Member Plain Language Rule Book (the proposed PLR Rule Book) to require mandatory reporting of a cybersecurity incident by Dealer Member to IIROC (the Proposed Amendments).

The Proposed Amendments:

- define the term “cybersecurity incident”
- require Dealers submit a report shortly after discovery of the incident
- require Dealers submit a more comprehensive report 30 days, unless otherwise agreed to by IIROC, after the incident
- list the information Dealers must report.

If approved, IIROC plans to implement the Proposed Amendments as follows:

- The changes to current DMR 3100 will be implemented as soon as the Recognizing Regulators approve them.
- The changes to section 3705 of the proposed PLR Rule Book will be implemented when the proposed PLR Rule Book becomes effective and will replace the corresponding DMR 3100. IIROC will incorporate the Proposed Amendments into the proposed PLR Rule Book when they publish the Notice of Approval.

A copy of the IIROC Notice and appendices, which includes the Proposed Amendments, is also published on our website at http://www.osc.gov.on.ca. The comment period ends on May 22, 2018.

13.1.2 IIROC − Amendments to the Minimum Dealer Regulation Fee Component of IIROC's Dealer Member Fee Model − Notice of Commission Approval

NOTICE OF COMMISSION APPROVAL

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA (IIROC)

AMENDMENTS TO THE MINIMUM DEALER REGULATION FEE COMPONENT OF IIROC'S DEALER MEMBER FEE MODEL

The Ontario Securities Commission has approved proposed amendments to the Minimum Dealer Regulation Fee Component of IIROC's Dealer Member Fee Model (Amendments). The Amendments were described in IIROC Notice 17-0243 – *Proposed Amendments to the Minimum Dealer Regulation Fee Component of the Dealer Member Fee Model* that was issued on December 21, 2017, available at http://www.iiroc.ca.

The effective date for the Amendments is April 1, 2018.

In addition, the Alberta Securities Commission, the Autorité de 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.

13.3 Clearing Agencies

13.3.1 CDCC − Omnibus Amendments to Rule A and D-6, The Operations, Risk and Default Manuals of the Canadian Derivatives Clearing Corporation, Introducing the Limited Clearing Members Category and Establishing Additional Recovery Powers (Recovery Phase 2)

CDCC - OMNIBUS AMENDMENTS TO RULE A AND D-6, THE OPERATIONS, RISK AND DEFAULT MANUALS OF THE CANADIAN DERIVATIVES CLEARING CORPORATION, INTRODUCING THE LIMITED CLEARING MEMBERS CATEGORY AND ESTABLISHING ADDITIONAL RECOVERY POWERS (RECOVERY PHASE 2).

NOTICE OF COMMISSION APPROVAL

In accordance with the Rule Protocol between the Ontario Securities Commission (Commission) and The Canadian Derivatives Clearing Corporation (CDCC), the Commission approved on March 20, 2018, amendments related to introducing Limited Clearing Members and establishing additional recovery powers.

A copy of the CDCC notice was published for comment on September 06, 2017 on the Commission's website at: http://www.osc.gov.on.ca. One comment was received by CDCC from a market participant in support of the initiative and further recommending to CDCC to pursue the expansion of its repo service offering.

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