The Ontario Securities Commission

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The Ontario Securities Commission administers the
Securities Act of Ontario (R.S.O. 1990, c. S.5) and the
Commodity Futures Act of Ontario (R.S.O. 1990, c. C.20)

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Notices / News Releases

1.1 Notices

1.1.1 Notice of Correction – IA Clarington Investments Inc.

The date was inadvertently omitted from *IA Clarington Investments Inc.* (2018), 41 OSCB 6838, published on August 30, 2018. The date of the decision is January 31, 2018.

1.3 Notices of Hearing with Related Statements of Allegations

1.3.1 Siu Mui "Debbie" Wong et al. – ss. 127(1), 127(10)

FILE NO.: 2018-50

IN THE MATTER OF
SIU MUI "DEBBIE" WONG,
SIU KON "BONNIE" SOO,
1300302 ALBERTA INC. and
D&E ARCTIC INVESTMENTS INC.

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 September 6, 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 days** 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 7th day of September, 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
SIU MUI "DEBBIE" WONG,
SIU KON "BONNIE" SOO,
1300302 ALBERTA INC. and
D&E ARCTIC INVESTMENTS INC.

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 Siu Mui "Debbie" Wong (**Wong**) that:

      i. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities or derivatives by Wong cease permanently, except trades that are made for her own account through one registered dealer or advisor if she gives that dealer or advisor a copy of the British Columbia Securities Commission's Order dated February 20, 2017 (the **BCSC Order**), and a copy of the Order of this Commission, if granted;

      ii. pursuant to paragraph 2.1 of subsection 127(1) of the Act, the acquisition of any securities by Wong cease permanently, except purchases that are made for her own account through one registered dealer or advisor if she gives that dealer or advisor a copy of the BCSC Order, and a copy of the Order of this Commission, 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 Wong permanently, except for those exemptions necessary to allow Wong to trade securities or derivatives or purchase securities for her own account;

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

      v. pursuant to paragraphs 8. 8.2 and 8.4 of subsection 127(1) of the Act, Wong be prohibited permanently from becoming or acting as a director or officer of any issuer or registrant, including an investment fund manager, except that she may act as a director or officer of an issuer whose securities are solely owned by her or by her and her immediate family members (being: Wong'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, Wong be prohibited permanently from becoming or acting as a registrant, including an investment fund manager, or promoter;

   (b) against Siu Kon "Bonnie" Soo (**Soo**) that:

      i. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities or derivatives by Soo cease permanently, except trades that are made for her own account through one registered dealer or advisor if she gives that dealer or advisor a copy of the BCSC Order, and a copy of the Order of this Commission, if granted;

      ii. pursuant to paragraph 2.1 of subsection 127(1) of the Act, the acquisition of any securities by Soo cease permanently, except purchases that are made for her own account through one registered dealer or advisor if she gives that dealer or advisor a copy of the BCSC Order, and a copy of the Order of this Commission, 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 Soo permanently, except for those exemptions necessary to allow Soo to trade securities or derivatives or purchase securities for her own account;

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

v. pursuant to paragraphs 8, 8.2 and 8.4 of subsection 127(1) of the Act, Soo be prohibited permanently from becoming or acting as a director or officer of any issuer or registrant, including an investment fund manager, except that she may act as a director or officer of an issuer whose securities are solely owned by her or by her and her immediate family members (being: Soo'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, Soo be prohibited permanently from becoming or acting as a registrant, including an investment fund manager, or promoter;

(c) against 1300302 Alberta Inc. (**1300302**) that:

i. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities or derivatives by 1300302 cease permanently;

ii. pursuant to paragraph 2.1 of subsection 127(1) of the Act, the acquisition of any securities by 1300302 cease permanently;

iii. pursuant to paragraph 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to 1300302 permanently; and

iv. pursuant to paragraph 8.5 of subsection 127(1) of the Act, 1300302 be prohibited permanently from becoming or acting as a registrant or promoter;

(d) against D&E Arctic Investments Inc. (**D&E Arctic**) that:

i. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities or derivatives by D&E Arctic cease permanently;

ii. pursuant to paragraph 2.1 of subsection 127(1) of the Act, the acquisition of any securities by D&E Arctic cease permanently;

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

iv. pursuant to paragraph 8.5 of subsection 127(1) of the Act, D&E Arctic be prohibited permanently from becoming or acting as a registrant or promoter;

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

B. FACTS

Staff make the following allegations of fact:

3. Wong, Soo, 1300302 and D&E Arctic (collectively, the **Respondents**) are subject to the BCSC Order that imposes sanctions, conditions, restrictions or requirements upon them.

4. In its findings on liability dated June 16, 2016 (the **Findings**) a panel of the BCSC (the **BCSC Panel**) found that Wong and Soo perpetrated a fraud, contrary to section 57(b) of the British Columbia *Securities Act*, RSBC 1996, c. 418 (the **BC Act**). The BCSC Panel further found that the Respondents engaged in an illegal distribution of securities, contrary to section 61 of the BC Act.

(i) The BCSC Proceedings

Background

5. The conduct for which the Respondents were sanctioned occurred between May 2007 and January 2008 (the **Material Time**).

6. Wong and Soo are sisters. During the Material Time, they were residents of British Columbia.

7. Wheatland Industrial Park Inc. (**Wheatland**) is an Alberta corporation and the registered owner of over 306 acres of land in Wheatland, Alberta (the **Wheatland Lands**). Wong and Soo were Wheatland's directors during the Material Time. Wheatland has never filed a prospectus under the BC Act.

8. 1300302 and D&E Arctic are Alberta corporations. They are the registered owners of approximately 158.2 acres of land in Rocky View, Alberta (the **Rocky View Lands**). During the Material Time, Soo and one of Wong's sons were the directors of 1300302, and Wong and one of Soo's daughters were the directors of D&E Arctic. 1300302 and D&E Arctic have never filed a prospectus under the BC Act.

Wheatland Joint Venture

9. Wong and Soo created Wheatland to buy and develop the Wheatland Lands into saleable, subdivided lots, which could be sold at a profit. Wheatland held legal title to the lands as bare trustee for the joint venture investors.

10. In approximately May 2007, Wong and Soo promoted and sold Wheatland joint venture units through referrals from friends and through word of mouth. At least 78 investors paid approximately $85,000 per unit, and each unit entitled an investor to an undivided interest in one acre of the Wheatland Lands. Wong and Soo advised investors about their past successes with real estate projects, and that investors could expect to make a profit after one or two years.

11. Under the bare trust, investors authorized Wong and Soo, as Wheatland's directors, to coordinate the development and re-sale of the Wheatland Lands. However, major decisions relating to the sale, mortgage or final use of the Wheatland Lands required a vote of the investors. Wong and Soo told investors they would not take any profit up front, but would take only 5% of net profits when the Wheatland joint venture investors made a profit.

Illegal Distribution

12. The BCSC Panel found that Wong, Soo and Wheatland (under the control and direction of Wong and Soo) illegally distributed $2,000,000 in securities to 25 investors who did not qualify for exemptions under the BC Act.

Fraud

13. The BCSC Panel also found that Wong and Soo perpetrated a fraud by transferring 33.5 of the Wheatland joint venture units to companies owned by their adult children and husbands, without consideration and without obtaining approval to do so from investors.

14. The BCSC Panel further found that Wong and Soo perpetrated a fraud by misappropriating Wheatland investors' subscription proceeds to fund two related company loans totalling $1,208,000, without investors' permission.

Rocky View Lands

15. The Rocky View Lands were farmland in Rocky View, Alberta, not yet rezoned for a higher use. Similar to Wheatland, the sisters set up 1300302 and D&E Arctic to buy and develop land in Rocky View through the sale of units in both companies. Some Rocky View investors had also invested in the Wheatland joint venture.

16. Between June 2007 and January 2008, Wong and Soo promoted and sold 1300302 and D&E Arctic joint venture units through referrals from friends and through word of mouth. A total of 158 units were available for sale, corresponding to 158 acres in the Rocky View Lands. Approximately 130 units were sold, and most investors paid $65,000 per unit. Some investors were told that the development of the Rocky View Lands would take place in phases, over approximately five years, and that the value of the lands would increase as development progressed. Wong and Soo advised Rocky View investors about their past successes with real estate projects, and that a $65,000 investment could eventually be worth over $1.5 million.

17. 1300302 and D&E Arctic held legal title to the Rocky View Lands as bare trustees for their respective investors. Under the joint venture agreement, Wong and Soo were retained to manage the Rocky View project. However, major decisions relating to the sale, mortgage or development of the Rocky View Lands required a vote of the investors.

18. Investors were told that Wong and Soo were transferring the Rocky View Lands to them at the original price they paid to acquire the lands (being $10,271,300), and that Wong and Soo would not make any profit from the investors, but would take a 5% commission at the last stage of the joint ventures when investors received a profit.

Illegal Distribution

19. The BCSC Panel found that Soo, Wong and 1300302 illegally distributed securities and raised $2,785,000 from 44 investors, and that Soo, Wong and D&E Arctic illegally distributed securities and raised $1,105,000 from 19 investors. None of the investors qualified for exemptions under the BC Act.

Fraud

20. The BCSC Panel further found that Wong and Soo committed multiple acts of fraud through 1300302 and D&E Arctic:

    (a) Wong and Soo inflated the purchase price of the Rocky View Lands and lied about it to investors. Wong and Soo used a company they controlled called LCco to initially buy the land for $5,540,000, and then sold it to 1300302 and D&E Arctic at an inflated price of $10,271,300 in an artificial transaction. Wong and Soo sold Rocky View joint venture units to investors based on the inflated price, not the initial purchase price.

    (b) Wong and Soo withheld information about potential delays in development of the Rocky View Lands from an investor. On December 12, 2007, Wong received a memo from an engineering firm Wong and Soo had hired, stating that rezoning of the Rocky View Lands was purely speculative. On December 21, 2007, Wong received another memo from the firm giving notice that applications to develop the land were being put on hold.

    (c) All distributions but one were fully paid for before the December 12 memo. Wong and Soo accepted money from one investor after December 21, but did not tell the investor about the potential delays detailed in the engineering firm's two memos. By not disclosing the contents of those memos to the investor, the BCSC Panel found Wong and Soo committed an act of fraud.

BCSC Findings – Conclusions

21. In its Findings, the BCSC Panel concluded that:

    (a) Wong and Soo perpetrated fraud, contrary to section 57(b) of the BC Act, when they:

        1. transferred Wheatland joint venture units without consideration to the benefit of their husbands and adult children;

        2. misappropriated $1,208,000 from the Wheatland joint venture;

        3. inflated the purchase price of the Rocky View Lands and lied about it to investors; and

        4. withheld information about potential delays in Rocky View's development from one investor;

    (b) Wong, Soo, Wheatland, 1300302 and D&E Arctic made illegal distributions, contrary to section 61 of the BC Act, as follows:

        1. Wong, Soo and Wheatland – $2,000,000 in Wheatland securities to 25 investors;

        2. Wong, Soo and 1300302 – $2,785,000 in 1300302 securities to 44 investors, and

        3. Wong, Soo and D & E Arctic – $1,105,000 in D & E Arctic securities to 19 investors.

(ii) The BCSC Order

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

1. Wong

(a) subject to the exception in subparagraph (b)(ii) below, under section 161(1)(d)(i) of the BC Act, Wong resigns any position she holds as a director or officer of an issuer or registrant;

(b) Wong be permanently prohibited:

i. under section 161(1)(b)(ii) of the BC Act, from trading in or purchasing any securities or exchange contracts, except that she may trade and purchase them for her own account through one registered dealer or advisor if she gives that dealer or advisor a copy of the BCSC Order;

ii. under section 161(1)(d)(ii) of the BC Act, from becoming or acting as a director or officer of any issuer or registrant, except that she may act as a director or officer of an issuer whose securities are solely owned by her or by her and her immediate family members (being: Wong's spouse, parent, child, sibling, mother or father-in-law, son or daughter-in-law, or brother or sister-in-law);

iii. under section 161(1)(d)(iii) of the BC Act, from becoming or acting as a promoter;

iv. under section 161(1)(d)(iv) of the BC Act, from acting in a management or consultative capacity in connection with activities in the securities market; and

v. under section 161(1)(d)(v) of the BC Act, from engaging in investor relations activities;

(c) under section 161(1)(c) of the BC Act, except for those exemptions necessary to allow Wong to trade or purchase securities and exchange contracts for her own account, none of the exemptions set out in the BC Act, the regulations or decisions (as those terms are defined by the BC Act), will apply to Wong, on a permanent basis;

(d) subject to subparagraph 5 below, under section 161(1)(g) of the BC Act, Wong pays to the BCSC $9,857,850; and

(e) under section 162 of the BC Act, Wong pays to the BCSC an administrative penalty of $6 million;

2. Soo

(a) subject to the exception in subparagraph (b)(ii) below, under section 161(1)(d)(i) of the BC Act, Soo resigns any position she holds as a director or officer of an issuer or registrant;

(b) Soo be permanently prohibited:

i. under section 161(1)(b)(ii) of the BC Act, from trading in or purchasing any securities or exchange contracts, except that she may trade and purchase them for her own account through one registered dealer or advisor if she gives that dealer or advisor a copy of the BCSC Order;

ii. under section 161(1)(d)(ii) of the BC Act, from becoming or acting as a director or officer of any issuer or registrant, except that she may act as a director or officer of an issuer whose securities are solely owned by her or by her and her immediate family members (being: Soo's spouse, parent, child, sibling, mother or father-in-law, son or daughter-in-law, or brother or sister-in-law);

iii. under section 161(1)(d)(iii) of the BC Act, from becoming or acting as a promoter;

iv. under section 161(1)(d)(iv) of the BC Act, from acting in a management or consultative capacity in connection with activities in the securities market; and

v. under section 161(1)(d)(v) of the BC Act, from engaging in investor relations activities;

(c) under section 161(1)(c) of the BC Act, except for those exemptions necessary to allow Soo to trade or purchase securities and exchange contracts for her own account, none of the exemptions set out in the BC Act, the regulations or decisions (as those terms are defined by the BC Act), will apply to Soo, on a permanent basis;

(d) subject to subparagraph 5 below, under section 161(1)(g) of the BC Act, Soo pays to the BCSC $9,857,850; and

(e) under section 162 of the BC Act, Soo pays to the BCSC an administrative penalty of $6 million;

3. 1300302

(a) under section 161(1)(b)(ii) of the BC Act, 1300302 permanently cease trading in, and be permanently prohibited from purchasing, any securities or exchange contracts;

(b) under section 161(1)(c) of the BC Act, on a permanent basis, none of the exemptions set out in the BC Act, the regulations or decisions (as those terms are defined by the BC Act), will apply to 1300302;

(c) under section 161(1)(d)(v) of the BC Act, 1300302 is permanently prohibited from engaging in investor relations activities; and

(d) subject to subparagraph 5 below, under section 161(1)(g) of the BC Act, 1300302 pays to the BCSC $2,785,000;

4. D&E Arctic

(a) under section 161(1)(b)(ii) of the BC Act, D&E Arctic permanently cease trading in, and be permanently prohibited from purchasing, any securities or exchange contracts;

(b) under section 161(1)(c) of the BC Act, on a permanent basis, none of the exemptions set out in the BC Act, the regulations or decisions (as those terms are defined by the BC Act), will apply to D&E Arctic;

(c) under section 161(1)(d)(v) of the BC Act, D&E Arctic is permanently prohibited from engaging in investor relations activities; and

(d) subject to subparagraph 5 below, under section 161(1)(g) of the BC Act, D&E Arctic pays to the BCSC $1,105,000.

5. Section 161(1)(g) of the BC Act payments:

The total of the amounts payable to the BCSC by the Respondents under subparagraphs (1)(d), (2)(d), (3)(d) and (4)(d) above shall not exceed $9,857,850, and the Respondents' obligations to pay under those subparagraphs shall be as follows:

(a) $2,785,000 – 1300302, Wong and Soo on a joint and several basis;

(b) $1,105,000 – D&E Arctic, Wong and Soo, on a joint and several basis; and

(c) $5,967,850 – Wong and Soo, on a joint and several basis.

23. The BCSC Panel made no orders against Wheatland.

(iii) Application for Leave to Appeal - British Columbia Court of Appeal

24. On July 18, 2016 and on March 21, 2017, Wong and Soo filed Notices of Application for Leave to Appeal with the British Columbia Court of Appeal (**BCCA**) regarding the BCSC Findings and the BCSC Order, respectively. On April 19, 2018, the BCCA issued its Oral Reasons for Judgment, dismissing Wong's and Soo's application for leave to appeal (*Wong v. British Columbia Securities Commission*, 2018 BCCA 192).

C. JURISDICTION OF THE ONTARIO SECURITIES COMMISSION

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

26. 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.

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

28. 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 6th day of September, 2018.

1.4 Notices from the Office of the Secretary

1.4.1 Omega Securities

FOR IMMEDIATE RELEASE
September 5, 2018

OMEGA SECURITIES INC.,
File No. 2017-64

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

A copy of the Order dated September 5, 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:

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

1.4.2 Omega Securities

FOR IMMEDIATE RELEASE
September 5, 2018

OMEGA SECURITIES INC.,
File No. 2017-66

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

A copy of the Order dated September 5, 2018 is available at www.osc.gov.on.ca.

OFFICE OF THE SECRETARY
GRACE KNAKOWSKI
SECRETARY TO THE COMMISSION

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1-877-785-1555 (Toll Free)

1.4.3 Donald Mason

FOR IMMEDIATE RELEASE
September 6, 2018

DONALD MASON,
File No. 2018-1

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

A copy of the Order dated September 6, 2018 is available at www.osc.gov.on.ca.

OFFICE OF THE SECRETARY
GRACE KNAKOWSKI
SECRETARY TO THE COMMISSION

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media_inquiries@osc.gov.on.ca

For investor inquiries:

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

1.4.4 Vincent George Byrne

FOR IMMEDIATE RELEASE
September 7, 2018

VINCENT GEORGE BYRNE,
File No. 2018-47

TORONTO – The Commission issued its Reasons and Decision and an Order pursuant to Subsections 127(1) and 127(10) of the *Securities Act* in the above noted matter.

A copy of the Reasons and Decision and the Order dated September 6, 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)

1.4.5 Siu Mui "Debbie" Wong et al.

FOR IMMEDIATE RELEASE
September 7, 2018

SIU MUI "DEBBIE" WONG,
SIU KON "BONNIE" SOO,
1300302 ALBERTA INC. and
D&E ARCTIC INVESTMENTS INC.,
File No. 2018-50

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 September 7, 2018 and Statement of Allegations dated September 6, 2018 are available at www.osc.gov.on.ca.

OFFICE OF THE SECRETARY
GRACE KNAKOWSKI
SECRETARY TO THE COMMISSION

For media inquiries:

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For investor inquiries:

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

1.4.6 Trilogy Mortgage Group Inc. and Trilogy Equities Group Limited Partnership

FOR IMMEDIATE RELEASE
September 10, 2018

TRILOGY MORTGAGE GROUP INC. and
TRILOGY EQUITIES GROUP
LIMITED PARTNERSHIP,
File No. 2018-21

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

A copy of the Order dated September 10, 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:

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

1.4.7 USI Tech Limited et al.

FOR IMMEDIATE RELEASE
September 11, 2018

USI TECH LIMITED,
ELEANOR PARKER AND
CASEY COMBDEN,
File No. 2018-8

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

A copy of the Order dated September 11, 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

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1.4.8 Money Gate Mortgage Investment Corporation et al.

FOR IMMEDIATE RELEASE
September 11, 2018

MONEY GATE MORTGAGE
INVESTMENT CORPORATION,
MONEY GATE CORP.,
MORTEZA KATEBIAN and
PAYAM KATEBIAN,
File No. 2017-79

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

A copy of the Order dated September 11, 2018 is available at www.osc.gov.on.ca.

OFFICE OF THE SECRETARY
GRACE KNAKOWSKI
SECRETARY TO THE COMMISSION

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media_inquiries@osc.gov.on.ca

For investor inquiries:

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

1.4.9 Martin Bernholtz

FOR IMMEDIATE RELEASE
September 11, 2018

MARTIN BERNHOLTZ,
File No. 2018-16

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

A copy of the Order dated September 11, 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:

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

Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 Charlotte's Web Holdings, Inc.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Issuer granted relief from certain restricted security requirements under National Instrument 41-101 General Prospectus Requirements, National Instrument 44-101 Short Form Prospectus Distributions, and National Instrument 51-102 Continuous Disclosure Obligations – relief granted subject to conditions.

OSC Rule 56-501 Restricted Shares – Issuer granted relief from certain restricted share requirements under OSC Rule 56-501 – relief granted subject to conditions.

Applicable Legislative Provisions

National Instrument 41-101 General Prospectus Requirements, ss. 12.2, 12.3, 19.1.
Form 41-101F1 Information Required in a Prospectus, ss. 1.13, 10.6.
National Instrument 44-101 Short Form Prospectus Distributions, s. 8.1.
Form 44-101F1 Short Form Prospectus, ss. 1.12 and 7.7.
National Instrument 51-102 Continuous Disclosure Obligations, Part 10 and s. 13.1.
OSC Rule 56-501 Restricted Shares, Parts 2 and 3, and s. 4.2.

August 23, 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
CHARLOTTE'S WEB HOLDINGS, INC.
(the "Filer")

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filer for a decision under the securities legislation of the Jurisdiction of the principal regulator (the "**Legislation**") that the requirement under:

(a) Section 12.2 of National Instrument 41-101 *General Prospectus Requirements* ("**NI 41-101**"), relating to the use of restricted security terms, and sections 1.13 and 10.6 of Form 41-101F1 *Information Required in a Prospectus* ("**Form 41-101F1**") and sections 1.12 and 7.7 of Form 44-101F1 *Short Form Prospectus* ("**Form 44-101F1**") relating to restricted security disclosure shall not apply to the common shares in the capital of the Filer (the "**Common Shares**") (the "**Prospectus Disclosure Exemption**") in connection with: (i) a final prospectus and any amendments thereto (the "**IPO Prospectus**") for the Filer to be filed in connection with the IPO (as defined below); and (ii) other prospectuses ("**Other Prospectuses**") that may be filed by the Filer under National

Instrument 44-101 *Short Form Prospectus Distributions* ("**NI 44-101**"), including a prospectus filed under National Instrument 44-102 *Shelf Distributions*;

(b) Section 12.3 of NI 41-101 relating to prospectus filing eligibility for distributions of restricted securities shall not apply to distributions of Common Shares (the "**Prospectus Eligibility Exemption**") in connection with Other Prospectuses;

(c) Part 10 of National Instrument 51-102 *Continuous Disclosure Obligations* ("**NI 51-102**") relating to the use of restricted security terms and restricted security disclosure shall not apply to the Common Shares (the "**CD Disclosure Exemption**") in connection with continuous disclosure documents ("**Other CD Documents**") that may be filed by the Filer under NI 51-102;

(d) Part 2 of OSC Rule 56-501 *Restricted Shares* ("**OSC Rule 56-501**") relating to the use of restricted share terms and restricted share disclosure shall not apply to the Common Shares (the "**OSC Rule 56-501 Disclosure Exemption**") in connection with dealer and adviser documentation, rights offering circulars and offering memoranda ("**OSC Rule 56-501 Documents**") of the Filer; and

(e) Part 3 of OSC Rule 56-501 relating to the withdrawal of prospectus exemptions for distributions of restricted shares shall not apply to the distribution of the Common Shares (as defined below) (the "**OSC Rule 56-501 Withdrawal Exemption**") in connection with stock distributions (as defined in OSC Rule 56-501) of the Filer.

The Prospectus Disclosure Exemption, the Prospectus Eligibility Exemption, the CD Disclosure Exemption, the OSC Rule 56-501 Disclosure Exemption and the OSC Rule 56-501 Withdrawal Exemption are collectively referred to as the "**Exemption Sought**".

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

(i) the Ontario Securities Commission is the principal regulator for this Application, and

(ii) 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, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Prince Edward Island and Saskatchewan (other than with respect to the OSC Rule 56-501 Disclosure Exemption and the OSC Rule 56-501 Withdrawal Exemption) (the "**Passport Jurisdictions**") which, pursuant to Section 5.2(6) of National Policy 11-203 – *Process for Exemptive Relief Applications in Multiple Jurisdictions* ("**NP 11-203**"), also satisfies the notice requirement of Section 4.7(1)(c) of MI 11-102.

Interpretation

Terms defined in National Instrument 14-101 *Definitions*, MI 11-102, NP 11-203, NI 41-101, NI 44-101, NI 51-102 and OSC Rule 56-501 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 incorporated under the *Business Corporations Act* (British Columbia) ("**BCBCA**") and is not a reporting issuer in any province or territory of Canada.

2. The registered office of the Filer is located at Suite 2800, 666 Burrard Street, Vancouver, British Columbia, V6C 2Z7, and its headquarters are located at 2425 55th Street, Suite 200, Boulder, Colorado 80301, United States.

3. The Filer was incorporated to acquire and hold all of the capital stock of CWB Holdings, Inc. ("**CWB**") in contemplation of the initial public offering consisting of a treasury issuance and a secondary offering of Common Shares (the "**IPO**").

4. CWB currently owns, either directly or indirectly, through its subsidiaries, all of the assets and operations relating to the business to be owned, directly or indirectly, by the Filer following completion of the IPO. Immediately following the IPO, CWB's existing securityholders, other than those who have exercised any applicable right of dissent, will exchange all of their ordinary shares of CWB for shares of the Filer pursuant to an acquisition agreement. Following completion of the acquisition, the Filer will indirectly own 100% of the ordinary shares of CWB.

5. The Filer filed a preliminary long form prospectus dated June 25, 2018 ("**Preliminary Prospectus**") with the securities regulatory authorities in each of the provinces of Canada (other than Quebec) in connection with the IPO. Upon completion of the IPO, the Common Shares will be listed on the Canadian Securities Exchange ("**CSE**").

6. Currently, the Filer's share capital consists of one or more Common Shares held by the incorporator or a nominee, all of which will be cancelled for no payment in connection with the completion of the transaction contemplated by the IPO.

7. Immediately prior to the closing of the IPO ("**Closing**") and upon completion of a reorganization (the "**Reorganization**"), the Filer's authorized share capital will consist of an unlimited number of Common Shares, proportionate voting shares ("**PV Shares**") (together with the Common Shares the "**Equity Shares**") and preferred shares issuable in series. No preferred shares will be issued or outstanding immediately after Closing of the IPO and the Reorganization.

8. Upon completion of the IPO and Reorganization, the Filer's only issued and outstanding subject securities (as defined in NI 41-101, NI 51-102, and OSC 56-501) will be the PV Shares.

9. The Common Shares may at any time, at the option of the holder and with the consent of the Filer, be converted into PV Shares on the following basis: 400 Common Shares for one PV Share.

10. The PV Shares may at any time, at the option of the holder, be converted into Common Shares on the basis of one PV Share for 400 Common Shares, with fractional PV Shares convertible into Common Shares on the same ratio.

11. Immediately after to the Closing of the IPO, as part of the Reorganization to be completed in connection with the Closing, all of the existing shareholders of CWB (the "**CWB Shareholders**"), other than those who have exercised any applicable right of dissent, will exchange their shares of CWB for PV Shares of the Filer. In addition, the holders of CWB options or other convertible securities will exchange such securities for options or convertible securities of the Filer on the same terms after giving effect to the Reorganization, such securities of the Filer being exercisable for PV Shares.

12. Upon completion of the IPO and the Reorganization, all of the issued and outstanding PV Shares will be held or controlled, directly or indirectly, by the former CWB Shareholders.

13. In the event of the liquidation, dissolution or winding-up of the Filer, the holders of Equity Shares will be entitled to participate in the distribution of the remaining property and assets of the Filer on the following basis, and otherwise without preference or distinction among or between the Equity Shares: each PV Share will be entitled to 400 times the amount distributed per Common Share and fractional PV Shares will be entitled to the applicable fraction thereof.

14. Each PV Share will be entitled to dividends if, as and when declared by the board of directors of the Filer, on the following basis, and otherwise without preference or distinction among or between such shares: each PV Share will be entitled to 400 times the amount paid or distributed per Common Share, and fractional PV Shares will be entitled to the applicable fraction thereof.

15. The Common Shares will carry one vote per share for all matters coming before the shareholders and the PV Shares will carry 400 votes per share for all matters coming before the shareholders. Fractional PV Shares will be entitled to the number of votes calculated by multiplying the fraction by 400.

16. The holders of Equity Shares are entitled to receive notice of any meeting of shareholders of the Filer and to attend, vote and speak at such meetings, except those meetings at which holders of a specific class of shares are entitled to vote separately as a class under the BCBCA.

17. The rights, privileges, conditions and restrictions attaching to any Equity Shares may be modified if the amendment is authorized by not less than 662/3% of the votes cast at a meeting of holders of Equity Shares duly held for that purpose. However, if the holders of PV Shares, as a class, or the holders of Common Shares, as a class, are to be affected in a manner materially different from such other class of Equity Shares, the amendment must, in addition, be authorized by not less than 662/3% of the votes cast at a meeting of the holders of the class of shares which is affected differently.

18. No subdivision or consolidation of the Common Shares or PV Shares may be carried out unless, at the same time, the Common Shares or PV Shares, as the case may be, are subdivided or consolidated in the same manner and on the same basis, so as to preserve the relative rights of the holders of each class of Equity Shares.

19. In addition to the conversion rights described above, if an offer (the "**Offer**") is being made for PV Shares where: (a) by reason of applicable securities legislation or stock exchange requirements, the offer must be made to all holders of the class of PV Shares; and (b) no equivalent offer is made for the Common Shares, the holders of Common Shares have the right, at their option, to convert their Common Shares into PV Shares for the purpose of allowing the holders of the Common Shares to tender to that offer.

20. In the event that holders of Common Shares are entitled to convert their Common Shares into PV Shares in connection with an Offer, holders of an aggregate of Common Shares of less than 400 (an "**Odd Lot**") will be entitled to convert all but not less than all of such Odd Lot of Common Shares into a fraction of one PV Share, at a conversion ratio equivalent

to 400 to 1, provided that such conversion into a fractional PV Share will be solely for the purpose of tendering the fractional PV Share to the Offer in question and that any fraction of a PV Share that is tendered to the Offer but that is not, for any reason, taken up and paid for by the offeror will automatically be reconverted into the Common Shares that existed prior to such conversion.

21. The Filer is seeking the Exemption Sought in respect of, among other things, references to the Common Shares of the Filer in the Prospectus, Other Prospectuses and Other CD Documents.

22. Subsection 12.2 of NI 41-101 requires that an issuer must not refer to a security in a prospectus by a term or a defined term that includes the word "common" unless the security is an equity security to which are attached voting rights exercisable in all circumstances, irrespective of the number or percentage of securities owned, that are not less, per security, than the voting rights attached to any other outstanding security of the issuer.

23. Subsection 12.3 of NI 41-101 requires that an issuer must not file a prospectus under which restricted securities, subject securities or securities that are, directly or indirectly convertible into, or exercisable or exchangeable for, restricted securities or subject securities, are distributed unless: (a) the distribution has received prior majority approval of the securityholders of the issuer in accordance with applicable law, including approval on a class basis if required and excluding any votes attaching at the time to securities held, directly or indirectly, by affiliates of the issuer or control persons of the issuer, or (b) at the time of any restricted security reorganization related to the securities to be distributed (i) restricted security reorganization received prior majority approval of securityholders of the issuer in accordance with applicable law, including approval on a class basis if required and excluding any votes attaching at the time to securities held, directly or indirectly, by affiliates of the issuer or control persons of the issuer, (ii) the issuer was a reporting issuer in at least one jurisdiction, and (iii) no purposes or business reasons for the creation of restricted securities were disclose that are inconsistent with the purpose of distribution.

24. Pursuant to NI 51-102, a "restricted security" means an equity security of a reporting issuer if any of the following apply: (a) there is another class of securities of the reporting issuer that, to a reasonable person, appears to carry a greater number of votes per security relative to the equity security; (b) the conditions of the class of equity securities, the conditions attached to another class of securities of the reporting issuer, or the reporting issuer's constating documents have provisions that nullify or, to a reasonable person appear to significantly restrict the voting rights of the equity securities; or (c) the reporting issuer has issued another class of equity securities that, to a reasonable person, appears to entitle the owners of securities of that other class to participate in the earnings or assets of the reporting issuer to a greater extent, on a per security basis, than the owners of the first class of equity securities.

25. Subsection 10.1 of NI 51-102 requires a reporting issuer that has outstanding restricted securities, or securities that are directly or indirectly convertible into or exercisable or exchangeable for restricted securities or securities that will, when issued, result in an existing class of outstanding securities being considered restricted securities, to provide specific disclosure with respect to such securities in its information circular, a document required by NI 51-102 to be delivered upon request by a reporting issuer to any of its securityholders, an annual information form prepared by the issuer, as well as in any other document that it sends to its securityholders.

26. Subsection 2.2 of OSC Rule 56-501 requires dealer and adviser documentation to include the appropriate restricted share term if restricted shares and the appropriate restricted share term or a code reference to restricted shares or the appropriate restricted share term are included in a trading record published by the Canadian Stock Exchange or other exchange listed in OSC Rule 56-501 or a trade reporting and quotation system operated by The Canadian Dealing Network Inc.

27. Subsection 2.3 of OSC Rule 56-501 requires that a rights offering circular or offering memorandum for a stock distribution prepared for a reporting issuer comply with certain requirements including, among others, the restricted shares may not be referred to by a term or a defined term that includes "common", "preference" or "preferred" and that such shares shall be referred to using a term or a defined term that includes the appropriate restricted share term.

28. Subsection 3.2 of OSC Rule 56-501 provides that the prospectus exemptions under Ontario securities law are not available for a stock distribution of securities of a reporting issuer or an issuer if the issuer will become a reporting issuer as a result of the stock distribution unless either the stock distribution received minority approval of shareholders or all the conditions set out in subsection 3.2(2) are satisfied and the information circular relating to the shareholders' meeting held to obtain such minority approval for the stock distribution included prescribed disclosure. Pursuant to subsection 4.2 of OSC Rule 56¬501, the Director may determine that the Filer is exempt from Parts 2 and 3 of OSC Rule 56-501.

29. As a PV Share will entitle the holder thereof to 400 votes per PV Share held, it will technically represent a class of securities to which multiple votes is attached. The multiple votes attaching to the PV Shares would, absent the Exemption Sought, have the following consequences in respect of the technical status of the Common Shares: (i) pursuant to Subsection 12.2(1) of NI 41-101, the Filer would be unable to use the word "common" to refer to the Common Shares in

a prospectus because the PV Shares would represent a security to which are attached voting rights exercisable in all circumstances, irrespective of the number or percentage of securities owned, that are more, per security than the voting rights attached to the Common Shares and (ii) the Common Shares could be considered "restricted securities" pursuant to para. (a) of the definition of the term in 51-102 and the Filer would be required to provide the specific disclosure required by NI 51-102 in respect of the Common Shares because the PV Shares would represent another class of securities of the Filer that, to a reasonable person, appears to carry a greater number of votes per security relative to the Common Shares, and (iii) the Common Shares would be considered "restricted shares" pursuant to OSC Rule 56-501 and the Filer would be subject to the dealer and adviser documentary disclosure obligations and distribution restrictions of OSC Rule 56-501 because the PV Shares would represent securities to which are attached voting rights exercisable in all circumstances, irrespective of the number of percentage of shares owned, that are more, on a per share basis, than the voting rights attaching to the Common Shares of the Filer.

30. Following completion of the IPO and the Reorganization, the Common Shares would be "restricted securities" as defined in NI 41-101 and NI 51-102, and "restricted shares" as defined in OSC Rule 56-501, solely as a result of the PV Shares.

31. The Filer has submitted the necessary initial documents to the CSE including an initial application letter on Form 1A. In accordance with CSE policy, the Filer expects to receive conditional listing approval after submission to the CSE of a Form 2A and the final prospectus in respect of the IPO, subject to the satisfaction of customary conditions.

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) in connection with the Prospectus Disclosure Exemption as it applies to the IPO Prospectus, at the time the Filer relies on the Exemption Sought:

  (i) representations 7-20 above continue to apply;

  (ii) The Filer has no restricted securities (as defined in section 1.1 of NI 41-101) issued and outstanding other than the Common Shares; and

  (iii) the IPO Prospectus includes disclosure consistent with representations 7-20, above.

(b) in connection with the Prospectus Disclosure Exemption and the Prospectus Eligibility Exemption as they apply to the Other Prospectuses, at the time the Filer relies on the Exemption Sought:

  (i) representations 7-20, above, continue to apply;

  (ii) the Filer has no restricted securities (as defined in section 1.1 of NI 41-101) issued and outstanding other than the Common Shares; and

  (iii) the Other Prospectuses include disclosure consistent with representations 7-20 above.

(c) in connection with the CD Disclosure Exemption as it applies to the Other CD Documents, at the time the Filer relies on the Exemption Sought:

  (i) representations 7-20, above, continue to apply; and

  (ii) the Filer has no restricted securities (as defined in subsection 1.1(1) of NI 51-102) issued and outstanding other than the Common Shares.

(d) in connection with the OSC Rule 56-501 Disclosure Exemption as it applies to the OSC Rule 56-501 Documents, at the time the Filer relies on the Exemption Sought:

  (i) representations 7-20, above, continue to apply; and

(ii) the Filer has no restricted shares (as defined in section 1.1 of OSC Rule 56-501) issued and outstanding other than the Common Shares.

(e) in connection with the OSC Rule 56-501 Withdrawal Exemption, at the time the Filer relies on the Exemption Sought:

(i) representations 7-20, above, continue to apply; and

(ii) the Filer has no restricted shares (as defined in section 1.1 of OSC Rule 56-501) issued and outstanding other than the Common Shares.

"Sonny Randhawa"
Deputy Director, Corporate Finance
Ontario Securities Commission

2.1.2 BMO Asset Management Inc. et al.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Exemption granted from the requirements of paragraphs 2.5(2)(a) and (c) of National Instrument 81-102 Investment Funds to allow mutual funds to invest up to 10% of net asset value in two pooled funds – the underlying funds are alternative funds – the underlying funds will comply with Part 2 and other requirements of NI 81-102 and NI 81-106 and limit investment exposure obtained through the use of specified derivatives.

Applicable Legislative Provisions

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

September 5, 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
BMO ASSET MANAGEMENT INC.
(BMO AM)

AND

BMO ASCENT™ INCOME PORTFOLIO,
BMO ASCENT™ CONSERVATIVE PORTFOLIO,
BMO ASCENT™ BALANCED PORTFOLIO,
BMO ASCENT™ GROWTH PORTFOLIO,
BMO ASCENT™ EQUITY GROWTH PORTFOLIO,
BMO SELECTCLASS® INCOME PORTFOLIO,
BMO SELECTCLASS® BALANCED PORTFOLIO,
BMO SELECTCLASS® GROWTH PORTFOLIO,
BMO SELECTCLASS® EQUITY GROWTH PORTFOLIO,
BMO SELECTTRUST® FIXED INCOME PORTFOLIO,
BMO SELECTTRUST® INCOME PORTFOLIO,
BMO SELECTTRUST® CONSERVATIVE PORTFOLIO,
BMO SELECTTRUST® BALANCED PORTFOLIO,
BMO SELECTTRUST® GROWTH PORTFOLIO,
BMO SELECTTRUST® EQUITY GROWTH PORTFOLIO
(the Initial Top Funds)

DECISION

Background

The principal regulator in the Jurisdiction has received an application from BMO AM on behalf of the Initial Top Funds and such other mutual funds with similar investment objectives that are subject to National Instrument 81-102 *Investment Funds* (**NI 81-102**) as may be managed by BMO AM or an affiliate or successor of BMO AM (the **Filer**) from time to time (the **Top Funds** and individually, a **Top Fund**) for a decision under the securities legislation of the Jurisdiction of the principal regulator (the **Legislation**) for an exemption, pursuant to section 19.1 of NI 81-102, from:

i. the prohibition contained in paragraph 2.5(2)(a) of NI 81-102 against a mutual fund investing in another mutual fund that is not subject to NI 81-102 and National Instrument 81-101 *Mutual Fund Prospectus Disclosure* (**NI 81-101**); and

ii. the prohibition contained in paragraph 2.5(2)(c) of NI 81-102 against a mutual fund investing in another mutual fund's securities where those securities are not qualified for distribution in the local jurisdiction

(together with paragraph (i) above, the **Exemption Sought**),

to permit each Top Fund to invest up to 10% of its net asset value, taken at market value at the time of the investment, in units of the Underlying Alternative Funds (as defined below).

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 Section 4.7(1) of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) is intended to be relied upon in Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Prince Edward Island, Quebec, Saskatchewan and Yukon (together with Ontario, the **Jurisdictions**).

Interpretation

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

Underlying Alternative Funds means BMO AM Global Absolute Return Bond Fund and BMO AM Market Neutral Global Equity Fund.

Representations

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

The Filer

1. BMO AM is a corporation with its head office located in Toronto, Ontario.

2. BMO AM is registered as an investment fund manager in each of Ontario, Québec and Newfoundland and Labrador, as an exempt market dealer and a portfolio manager in each of the Jurisdictions and as a commodity trading manager in Ontario.

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

4. The Filer is, or will be, the manager of each Top Fund and each Underlying Alternative Fund.

The Top Funds

5. Each Top Fund is, or will be, a "mutual fund", as such term is defined under the *Securities Act* (Ontario) (the **Act**).

6. Each Top Fund has, or will have, a simplified prospectus, annual information form and fund facts document prepared in accordance with NI 81-101 or a prospectus prepared in accordance with National Instrument 41-101 *General Prospectus Requirements*, and securities of each Top Fund are, or will be, qualified for distribution in the Jurisdictions.

7. Each Top Fund is, or will be, a reporting issuer under the securities legislation of one or more Jurisdictions and is, or will be, subject to NI 81-102.

8. None of the existing Top Funds is in default of securities legislation in any of the Jurisdictions.

9. The Top Funds are, or will be, asset allocation funds whose investment objectives and strategies allow, or will allow, them to invest, directly or indirectly, in fixed income securities and/or equity securities and, as part of this asset allocation strategy, permit them to invest in securities of other mutual funds.

10. The investment objectives and strategies of each Top Fund permit the Top Fund to invest in units of the Underlying Alternative Funds, subject to being granted the Exemption Sought. Each Initial Top Fund has a specific target allocation to each of the asset classes in which the Underlying Alternative Funds primarily invest.

The Underlying Alternative Funds

11. The Underlying Alternative Funds are each a "mutual fund", as such term is defined under the Act, formed as a trust under the laws of Ontario pursuant to a declaration of trust.

12. The Underlying Alternative Funds are not reporting issuers in any of the Jurisdictions and are not therefore subject to NI 81-102.

13. Units of the Underlying Alternative Funds are available for purchase only by investors that qualify to invest in the Underlying Alternative Funds pursuant to an exemption from the prospectus requirement, such as those that meet the definition of an "accredited investor" as set forth in National Instrument 45-106 *Prospectus Exemptions* and/or the Act.

14. The investment objective of BMO AM Global Absolute Return Bond Fund is to deliver a return through a combination of income and capital growth irrespective of market conditions by investing primarily in fixed income instruments from across the global fixed income universe. BMO AM Global Absolute Return Bond Fund invests primarily in a globally diversified multi-sector portfolio of fixed income instruments. It will typically have at least two thirds of its total assets invested in corporate bonds, with the remaining allocated amongst non-corporate bonds. It may use financial derivative instruments for hedging investment risk, reducing the impact of volatility on the fund and for investment purposes. Synthetic long positions and synthetic short positions may be taken through these financial derivatives instruments. Its strategies include the use of specified derivatives to provide leveraged investments.

15. The investment objective of BMO AM Market Neutral Global Equity Fund is to deliver capital growth, over the medium term by employing a global long/short market neutral equity strategy. BMO AM Market Neutral Global Equity Fund implements a long/short strategy by investing in specified derivatives on customised baskets of global equity securities. It invests primarily in a portfolio of high quality, short dated government bonds, cash OTC total return swaps and currency forwards. Its strategies include the use of specified derivatives to provide leveraged investments.

Investments in BMO AM Global Absolute Return Bond Fund

16. An investment by the Top Funds in BMO AM Global Absolute Return Bond Fund will be compatible with the investment objectives and strategies of those Top Funds that desire income and capital growth through investments in global fixed income securities.

17. The Filer believes that an investment in BMO AM Global Absolute Return Bond Fund will provide an efficient and cost effective way for the Top Funds to achieve diversification and maximize absolute returns while seeking to remove market risk. Allowing the Top Funds to invest in units of BMO AM Global Absolute Return Bond Fund will also allow them to leverage the expertise, research and investment style of the sub-advisor to BMO AM Global Absolute Return Bond Fund.

18. While it may be possible for the Top Funds to invest in other global fixed income products that deliver returns through income and capital growth, the Filer believes it is in the best interests of the Top Funds to have the ability to invest in BMO AM Global Absolute Return Bond Fund because the alternatives available to the Filer are not optimal relative to investing in BMO AM Global Absolute Return Bond Fund. BMO AM Global Absolute Return Bond Fund seeks to deliver returns irrespective of market conditions by using derivatives to move the portfolio in the opposite direction of the market when there is volatility. Further, the Filer has gained comfort with the portfolio management approach used by its affiliated sub-advisor for BMO AM Global Absolute Return Bond Fund and prefers it over any peers in the marketplace.

Investments in BMO AM Market Neutral Global Equity Fund

19. An investment by the Top Funds in BMO AM Market Neutral Global Equity Fund will be compatible with the investment objectives and strategies of those Top Funds that desire capital growth through investments in global equity securities.

20. The Filer believes that an investment in BMO AM Market Neutral Global Equity Fund will provide an efficient and cost effective way for the Top Funds to achieve diversification and maximize absolute returns while seeking to remove market risk. Allowing the Top Funds to invest in units of BMO AM Market Neutral Global Equity Fund will also allow them to leverage the expertise, research and investment style of the sub-advisor to BMO AM Market Neutral Global Equity Fund.

21. While it may be possible for the Top Funds to invest in other global equity products that deliver returns through capital growth, the Filer believes it is in the best interests of the Top Funds to have the ability to invest in BMO AM Market Neutral Global Equity Fund because the alternatives available to the Filer are not optimal relative to investing in BMO AM Market

Neutral Global Equity Fund. BMO AM Market Neutral Global Equity Fund seeks to deliver returns irrespective of market conditions by using derivatives to hedge away market risk. Further, the Filer has gained comfort with the portfolio management approach used by its affiliated sub-advisor for BMO AM Market Neutral Global Equity Fund and prefers it over any peers in the marketplace.

General

22. The Underlying Alternative Funds are managed by BMO AM and sub-advised by an affiliated sub-advisor of BMO AM. Accordingly, the Filer will benefit from a close understanding of the investment style and approach of the portfolio manager of the Underlying Alternative Funds, thereby benefiting the Top Funds.

23. The Underlying Alternative Funds are managed in compliance with Parts 2, 4 and 6 of NI 81-102, except for sections 2.7(1), 2.7(2), 2.7(3) and 2.8 relating to transactions in specified derivatives.

24. The Underlying Alternative Funds will comply with the restrictions relating to illiquid assets (section 2.4 of NI 81-102) and investments in other investment funds (section 2.5 of NI 81-102) for so long as they are held by one of the Top Funds.

25. The portfolio of each Underlying Alternative Fund consists primarily of publicly traded securities. Each Underlying Alternative Fund does not hold more than 10% of its net asset value in illiquid assets (as defined in NI 81-102).

26. In September 2016, the Canadian Securities Administrators published CSA Notice and Request for Comment – *Modernization of Investment Fund Product Regulation – Alternative Funds* (the **Alternative Funds Proposal**). The Alternative Funds Proposal proposes to permit conventional mutual funds to invest up to 10% of their net assets in securities of alternative funds and non-redeemable investment funds, provided those alternative funds are subject to NI 81-102 (as it is proposed to be amended by the Alternative Funds Proposal).

27. The Underlying Alternative Funds are currently managed in compliance with the proposed investment restrictions applicable to alternative funds set out in the Alternative Funds Proposal, except for the proposed restrictions relating to leverage. The Underlying Alternative Funds' use of specified derivatives to achieve leveraged investment exposure conforms with the limits in this decision. Upon the coming into force of the final rule implementing the Alternative Funds Proposal (the **Alternative Funds Rule**), the Underlying Alternative Funds' use of leverage will comply with the finalized version of such requirements for so long as securities of the Underlying Alternatives Funds are held by the Top Funds.

28. The Underlying Alternative Funds comply with National Instrument 81-106 *Investment Fund Continuous Disclosure* (**NI 81-106**), except for Parts 4 and 6.

29. Securities of the Underlying Alternative Funds are valued and redeemable on the same dates as securities of the Top Funds. An investment by a Top Fund in an Underlying Alternative Fund will be effected based on the Underlying Alternative Fund's net asset value, which is calculated in accordance with Part 14 of NI 81-106.

30. Pursuant to a decision dated January 13, 2009, the Filer obtained exemptive relief from section 2.5(2)(a) of NI 81-102 that permits each Top Fund to invest up to 10% of its net asset value in securities of exchange-traded funds managed by BetaPro Management Inc. that are "commodity pools" as defined in National Instrument 81-104 *Commodity Pools* (**Underlying ETFs**). The Underlying ETFs meet the definition of "alternative fund" in the Alternative Funds Proposal. Each Top Fund will reduce its maximum permitted exposure to the Underlying Alternative Funds by the amount of any investment in the Underlying ETFs.

31. A Top Fund will not invest in an Underlying Alternative Fund, an "alternative fund" (as defined in the Alternative Funds Proposal, as may be modified by the Alternative Funds Rule), or a non-redeemable investment fund if, immediately after the investment, more than 10% of the Top Fund's net asset value, in aggregate, taken at market value at the time of the investment, would consist of investments in (i) the Underlying Alternative Funds; (ii) "alternative funds" (as defined in the Alternative Funds Proposal, as may be modified by the Alternative Funds Rule), and (iii) non-redeemable investment funds.

32. Other than the Exemption Sought, the Top Funds will comply fully with section 2.5 of NI 81-102 in their investments in the Underlying Alternative Funds and the simplified prospectus of the Top Funds will provide all applicable disclosure mandated for mutual funds investing in other mutual funds.

33. Where applicable, a Top Fund's investment in an Underlying Alternative Fund will be disclosed to investors in such Top Fund's quarterly portfolio holding reports, financial statements and fund facts and/or ETF facts documents.

34. Upon request, the Filer will make available copies of the offering memorandum and declaration of trust, as applicable, of the Underlying Alternative Funds to investors of the Top Funds.

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) for so long as an Underlying Alternative Fund is held by a Top Fund, the Underlying Alternative Fund complies with the following investment restrictions:

  (i) Part 2 of NI 81-102, except for sections 2.7(1), 2.7(2), 2.7(3) and 2.8 of NI 81-102;

  (ii) the Underlying Alternative Fund's aggregate gross exposure, calculated as the sum of the following, must not exceed three times the Underlying Alternative Fund's net asset value: (A) the aggregate market value of the Underlying Alternative Fund's long positions; (B) the aggregate market value of securities sold short by the Underlying Alternative Fund; and (C) the aggregate notional value of the Underlying Alternative Fund's specified derivatives positions, excluding any specified derivatives used for "hedging" purposes, as defined in NI 81-102;

  (iii) in determining the Underlying Alternative Fund's compliance with the restriction contained in (a)(ii) above, the Underlying Alternative Fund must also include in its calculation its proportionate shares of securities of any underlying investment funds for which a similar calculation is required;

  (iv) the Underlying Alternative Fund must determine its compliance with the restriction contained in (a)(ii) above, as of the close of business of each day on which the Underlying Alternative Fund calculates a net asset value; and

  (v) if the Underlying Alternative Fund's aggregate gross exposure, as determined in subsection (a)(ii) above, exceeds three times the Underlying Alternative Fund's net asset value, the Underlying Alternative Fund must, as quickly as is commercially reasonable, take all necessary steps to reduce the aggregate gross exposure to three times the Underlying Alternative Fund's net asset value or less;

(b) each Underlying Alternative Fund complies with Parts 4 and 6 of NI 81-102 and Part 14 of NI 81-106;

(c) the prospectus of a Top Fund discloses, or will disclose in the next renewal or amendment thereto following the date of this decision, the fact that the Top Fund has obtained relief to invest in the Underlying Alternative Funds, which are alternative funds managed by the Filer that are not reporting issuers, and any material risks associated with investing in the Underlying Alternative Funds;

(d) a Top Fund will not invest in an Underlying Alternative Fund, an "alternative fund" (as defined in the Alternative Funds Proposal, as may be modified by the Alternative Funds Rule) or a non-redeemable investment fund if, immediately after the investment, more than 10% of the Top Fund's net asset value, in aggregate, taken at market value at the time of the investment, would consist of investments in (i) the Underlying Alternative Funds, (ii) "alternative funds" (as defined in the Alternative Funds Proposal, as may be modified by the Alternative Funds Rule), and (iii) non-redeemable investment funds; and

(e) upon the coming into force of the Alternative Funds Rule

  (i) the conditions in paragraph (a) above will cease to apply; and

  (ii) each Underlying Alternative Fund will comply with the provisions of Part 2 of NI 81-102 that are applicable to an "alternative fund" (as such term is defined in the Alternative Funds Rule) for so long as such Underlying Alternative Fund is held by one of the Top Funds.

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

2.1.3 Fidelity Investments Canada ULC

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., ss. 59(1), 147.
National Instrument 62-104 Take-Over Bids and Issuer Bids, Part 2 and s. 6.1.

August 31, 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
FIDELITY INVESTMENTS CANADA ULC
(the Filer)

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filer on behalf of the exchange-traded mutual funds set out in Schedule A (the **Proposed ETFs**) and such other exchange-traded mutual funds as may be managed by the Filer or an affiliate of the Filer in the future (the **Future ETFs**, and together with the Proposed ETFs, the **ETFs** and each an **ETF**) for a decision under the securities legislation 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 Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Prince Edward Island, Québec, Saskatchewan and Yukon (together with Ontario, the **Jurisdictions**).

Interpretation

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

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.

Basket of Securities means, in relation to the Listed Securities of an ETF, a group of securities identified from time to time that collectively reflect the constituents of the portfolio of an ETF.

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 in respect of one or more classes or series of Listed Securities being distributed under a prospectus.

Form 41-101F2 means Form 41-101F2 *Information Required in an Investment Fund Prospectus*.

Listed Securities means a series of securities of an ETF distributed pursuant to a long form prospectus prepared pursuant to NI 41-101 and Form 41-101F2 that is listed on the TSX or another Marketplace.

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

NI 41-101 means National Instrument 41-101 *General Prospectus Requirements*.

NI 62-104 means National Instrument 62-104 *Takeover Bids and Issuer Bids*.

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 NI 62-104 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.

Unlisted Securities means a series of securities of an ETF offered only on a private placement basis pursuant to available prospectus exemptions, including the accredited investor exemption, under securities laws.

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 the Province of Alberta with its head office located in Toronto, Ontario.

2. The Filer is registered as an investment fund manager in Ontario, Québec and Newfoundland and Labrador, as a portfolio manager in each of the Jurisdictions, as a commodity trading manager in Ontario and as a mutual fund dealer in each of the Jurisdictions.

3. The Filer, or an affiliate of the Filer, is, or will be, the investment fund manager of the ETFs and is, or will be, the trustee of the ETFs where the ETF is a trust.

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 or the laws of Canada. Each ETF will be a reporting issuer in the Jurisdiction(s) in which its Listed 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 series of securities, including, but not limited to:

   a. Listed Securities; and

   b. Unlisted Securities.

8. The Filer has filed 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.

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

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 or series 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 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 dealer, subject only to customary brokerage commissions. On any trading day, Securityholders may (i) redeem 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) exchange a Prescribed Number of Listed Securities or an integral multiple thereof for Baskets of Securities and cash, only cash or other securities and cash, in each case equal to the net asset value of that number of Listed Securities less any applicable redemption fee determined by the Filer.

15. Holders of Unlisted Securities of an ETF may redeem Unlisted Securities of an ETF in any number for cash at a redemption price per Unlisted Security equal to the net asset value per Unlisted Security of the ETF on the effective day of redemption.

Underwriter's Certificate Requirement

16. 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.

17. The Filer will generally conduct its own marketing, advertising and promotion of the ETFs to the extent permitted by its registrations.

18. 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

19. 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.

20. 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.

21. 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.

22. 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.

23. 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 or series 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

24. 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 Take-over Bid Requirements. However:

    (a) it will not be possible for one or more Securityholders to exercise control or direction over an ETF, as the constating documents of each ETF will provide that only the Filer may call a meeting of the Securityholders;

(b) it will be difficult for 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.

25. The application of the Take-over Bid Requirements to the ETFs would have an adverse impact upon the liquidity of the Listed Securities, because they could cause Designated Brokers and other large Securityholders to cease trading Listed Securities once a 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 under the Legislation is that the Exemption Sought in respect of 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, 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:

I. 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

II. 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 in respect of the Underwriter's Certificate Requirement 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:

"Philip Anisman"
Commissioner
Ontario Securities Commission

"Deborah Leckman"
Commissioner
Ontario Securities Commission

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

"Darren McKall"
Manager, IFSP
Ontario Securities Commission

SCHEDULE A

PROPOSED ETFS

Fidelity Canadian High Dividend Index ETF
Fidelity U.S. Dividend for Rising Rates Index ETF
Fidelity U.S. Dividend for Rising Rates Currency Neutral Index ETF
Fidelity U.S. High Dividend Index ETF
Fidelity U.S. High Dividend Currency Neutral Index ETF
Fidelity International High Dividend Index ETF

2.1.4 Coin Capital Investment Management Inc.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – relief granted to exchange-traded series of conventional mutual funds for continuous distribution of securities – relief to permit funds' prospectus to not include 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 series and conventional mutual fund series within same fund structure – relief granted from the requirement in NI 41-101 to prepare a long form prospectus for exchange-traded series – exchange-traded series and mutual fund series referable to same portfolio and have substantially identical disclosure – relief permitting all series of funds to be disclosed in same prospectus – disclosure required by NI 41-101 for exchange-traded series and not contemplated by NI 81-101 will be disclosed in prospectus under relevant headings – technical relief granted to mutual funds from Parts 9, 10 and 14 of National Instrument 81-102 Investment Funds to facilitate the offering of exchange-traded series and conventional mutual fund series within same fund structure – relief permitting funds to treat exchange-traded series in a manner consistent with treatment of other ETF securities in continuous distribution in connection with their compliance with Parts 9, 10 and 14 of NI 81-102 – relief permitting funds to treat mutual fund series in a manner consistent with treatment of other conventional mutual fund securities in connection with their compliance with Parts 9, 10 and 14 of NI 81-102.

Applicable Legislative Provisions

Securities Act (Ontario), R.S.O. 1990, c. S.5, as am., ss. 59(1), 147.
National Instrument 41-101 General Prospectus Requirements, s. 19.1.
National Instrument 62-104 Take-Over Bids and Issuer Bids, Part 2 and s. 6.1.
National Instrument 81-102 Investment Funds, ss. 9.1, 9.2, 9.3, 9.4, 10.1, 10.2, 10.3, 10.4, 10.5, 10.6, 14.1, 19.1.

September 4, 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
COIN CAPITAL INVESTMENT MANAGEMENT INC.
(the Filer)

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filer on behalf of the Coin Capital mutual funds listed in Schedule A (collectively, the **Proposed Funds**), each of which offers an exchange traded series and mutual fund series of a mutual fund, and such other mutual funds as are managed or may be managed by the Filer now or in the future and that are structured in the same manner as the Proposed Funds (the **Future Funds**, and together with the Proposed Funds, the **Funds** and each individually, a **Fund**), for a decision under the securities legislation of the Jurisdiction (the **Legislation**) that:

(a) exempts the Filer and each Fund from the requirement to prepare and file a long form prospectus for the ETF Securities (as defined below) in the form prescribed by Form 41-101F2 *Information Required in an Investment Fund Prospectus* (**Form 41-101F2**), subject to the terms of this decision and provided that the Filer files a prospectus for the ETF Securities in accordance with the provisions of National Instrument 81-101 *Mutual Fund Prospectus Disclosure* (**NI 81-101**), other than the requirements pertaining to the filing of a fund facts document (the **ETF Prospectus Form Requirement**);

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

(c) exempts a person or company purchasing ETF Securities (as defined below) in the normal course through the facilities of the TSX or another Marketplace (as defined below) from the Take-Over Bid Requirements (as defined below); and

(d) permits the Filer and each Fund to treat the ETF Securities and the Mutual Fund Securities (as defined below) as if such securities were separate funds in connection with their compliance with the provisions of Parts 9, 10 and 14 of National Instrument 81-102 *Investment Funds* (**NI 81-102**) (the **Sales and Redemption Requirements**),

(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 Ontario (together with Ontario, the Jurisdictions).

Interpretation

Terms defined in National Instrument 14-101 *Definitions*, MI 11-102 and NI 81-102 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 a Fund authorizing the dealer to subscribe for, purchase and redeem Creation Units from one or more Funds on a continuous basis from time to time.

Basket of Securities means, in relation to a Fund, a group of securities or assets representing the constituents of the Fund.

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

ETF Facts means a prescribed summary disclosure document required pursuant to National Instrument 41-101 *General Prospectus Requirements*, in respect of one or more classes or series of ETF Securities being distributed under a prospectus.

ETF Securities means securities of an ETF Series of a Fund that are listed or will be listed on the TSX or another Marketplace and that will be distributed pursuant to a simplified prospectus prepared in accordance with NI 81-101 and Form 81-101F1.

NI 41-101 means National Instrument 41-101 *General Prospectus Requirements*.

Form 81-101F1 means Form 81-101F1 *Contents of Simplified Prospectus*.

Form 81-101F2 means Form 81-101F2 *Contents of Annual Information Form*.

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

Mutual Fund Securities means securities of a non-exchange-traded series of a Fund that are or will be distributed pursuant to a simplified prospectus prepared in accordance with NI 81-101 and Form 81-101F1.

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 ETF Securities means, in relation to a Fund, the number of ETF Securities of the Fund 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 an Affiliate Dealer, Authorized Dealer, Designated Broker or Other Dealer dated August 24, 2015 and any subsequent decision granted to an Affiliate Dealer, Authorized Dealer, Designated Broker 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 and registered holders of ETF Securities or Mutual Fund Securities, as applicable.

Take over Bid Requirements means the requirements of NI 62-104 *Takeover 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 in Ontario.

2. The Filer is registered as an investment fund manager in Ontario, Québec and Newfoundland and Labrador and as a portfolio manager and an exempt market dealer in Ontario.

3. The Filer is, or will be, the investment fund manager and portfolio manager of the Funds. The Filer has applied, or will apply, to list the ETF Securities on the TSX or another Marketplace.

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

The Funds

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

6. Each Fund offers, or will offer, ETF Securities and Mutual Fund Securities.

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

8. Mutual Fund Securities will be distributed under a simplified prospectus.

9. The Filer will apply to list any ETF Securities of the Funds on the TSX or another Markeplace. The Filer will not file a final prospectus for any of the Funds in respect of the ETF Securities until the TSX or other applicable Marketplace has conditionally approved the listing of the ETF Securities.

10. The Filer has filed, or will file, a simplified prospectus prepared and filed in accordance with NI 81-101, subject to any exemptions that may be granted by the applicable securities regulatory authorities.

11. Mutual Fund Securities may be subscribed for or purchased directly from a Fund through qualified financial advisors or brokers in the normal course, and processed and settled via the FundSERV system.

12. ETF Securities will be distributed on a continuous basis in one or more of the Jurisdictions under a prospectus. ETF Securities may generally only be subscribed for or purchased directly from the Funds (**Creation Units**) by Authorized

Dealers or Designated Brokers. Generally, subscriptions or purchases may only be placed for a Prescribed Number of ETF 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 ETF Securities on the TSX or another Marketplace.

13. 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 ETF Securities of the same class or series as the Creation Units in the secondary market. Other Dealers may also be engaged in purchasing and selling ETF 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.

14. Each Designated Broker or Authorized Dealer that subscribes for Creation Units must deliver, in respect of each Prescribed Number of ETF Securities to be issued, a Basket of Securities and/or cash in an amount sufficient so that the value of the Basket of Securities and/or cash delivered is equal to the net asset value of the ETF Securities subscribed for next determined following the receipt of the subscription order. In the discretion of the Filer, the Funds may also accept subscriptions for Creation Units in cash only, in securities other than Baskets of Securities and/or in a combination of cash and securities other than Baskets of Securities, in an amount equal to the net asset value of the ETF Securities subscribed for next determined following the receipt of the subscription order.

15. The Designated Brokers and Authorized Dealers will not receive any fees or commissions in connection with the issuance of Creation Units to them. On the issuance of Creation Units, the Filer or the Fund may, in the Filer's discretion, charge a fee to a Designated Broker or an Authorized Dealer to offset the expenses incurred in issuing the Creation Units.

16. Each Fund will appoint a Designated Broker to perform certain other functions, which include standing in the market with a bid and ask price for ETF Securities for the purpose of maintaining liquidity for the ETF Securities.

17. 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, ETF Securities generally will not be able to be purchased directly from a Fund. Investors are generally expected to purchase and sell ETF Securities, directly or indirectly, through dealers executing trades through the facilities of the TSX or another Marketplace. ETF Securities may also be issued directly to ETF Securityholders upon a reinvestment of distributions of income or capital gains.

18. Securityholders that are not Designated Brokers or Authorized Dealers that wish to dispose of their ETF Securities may generally do so by selling their ETF Securities on the TSX or other Marketplace, through a registered dealer, subject only to customary brokerage commissions. A Securityholder that holds a Prescribed Number of ETF Securities or multiple thereof may exchange such ETF Securities for Baskets of Securities and/or cash in the discretion of the Filer. Securityholders may also redeem ETF Securities for cash at a redemption price equal to 95% of the closing price of the ETF Securities on the TSX or other Marketplace on the date of redemption, subject to a maximum redemption price of the applicable net asset value per ETF Security.

ETF Prospectus Form Requirement

19. The Filer believes it is more efficient and expedient to include all of the series of each Fund in one prospectus form instead of two different prospectus forms and that this presentation will assist in providing full, true and plain disclosure of all material facts relating to the securities of the Funds by permitting disclosure relating to all series of securities to be included in one prospectus.

20. The Filer will ensure that any additional disclosure included in the simplified prospectus and annual information form relating to the ETF Securities will not interfere with an investor's ability to differentiate between the Mutual Fund Securities and the ETF Securities and their respective attributes.

21. The Funds will comply with the provisions of NI 81-101 when filing any amendment or prospectus.

Underwriter's Certificate Requirement

22. 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.

23. The Filer will generally conduct its own marketing, advertising and promotion of the Funds, to the extent permitted by its registrations.

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

Prospectus Delivery Requirement

25. 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 ETF Securities in the secondary market that are not Creation Units would not ordinarily constitute a distribution of such ETF Securities.

26. According to Authorized Dealers and Designated Brokers, Creation Units will generally be commingled with other ETF 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 ETF Securities involves Creation Units or ETF Securities purchased in the secondary market.

27. 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.

28. 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 an ETF 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 ETF Security not later than midnight on the second day, exclusive of Saturdays, Sundays and holidays, after the purchase of the ETF Security.

29. 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 or series of ETF 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

30. 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 ETF Securities so as to trigger the application of the Take over Bid Requirements. However:

    (a) it will not be possible for one or more Securityholders to exercise control or direction over a Fund, as the constating documents of each Fund will provide that there can be no changes made to the Fund which do not have the support of the Filer;

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

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

31. The application of the Take over Bid Requirements to the Funds would have an adverse impact on the liquidity of the ETF Securities because they could cause the Designated Brokers and other large Securityholders to cease trading ETF Securities once a 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 Funds.

Sales and Redemption Requirements

32. Parts 9, 10 and 14 of NI 81-102 do not contemplate both Mutual Fund Securities and ETF Securities being offered in a single fund structure. Accordingly, without the Exemption Sought from the Sales and Redemption Requirements, the Filer and the Funds would not be able to technically comply with those parts of the Instrument.

33. The Exemption Sought from the Sales and Redemption Requirements will permit the Filer and the Funds to treat the ETF Securities and the Mutual Fund Securities as if such securities were separate funds in connection with their compliance with Parts 9, 10 and 14 of NI 81-102. The Exemption Sought from the Sales and Redemption Requirements will enable each of the ETF Securities and Mutual Fund Securities to comply with Parts 9, 10 and 14 of NI 81-102 as appropriate for the type of security being offered.

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 ETF Prospectus Form Requirement is granted, provided that the Filer will be in compliance with the following conditions:

    (a) the Filer files a simplified prospectus and annual information form in respect of the ETF Securities in accordance with the requirements of NI 81-101, Form 81-101F1 and Form 81-101F2, other than the requirements pertaining to the filing of a fund facts document;

    (b) the Filer includes disclosure required pursuant to Form 41-101F2 (that is not contemplated by Form 81-101F1 or Form 81-101F2) in respect of the ETF Securities, in each Fund's simplified prospectus and/or annual information form, as applicable; and

    (c) the Filer includes disclosure regarding this decision under the heading "Additional Information" and "Exemptions and Approvals" in each Fund's simplified prospectus and annual information form, respectively.

2. The decision of the principal regulator is that the Exemption Sought in respect of 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 ETF 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 Fund's prospectus, as the same may be amended from time to time, will disclose both the relief granted pursuant to the Exemption Sought and the Prospectus Delivery Decision;

    (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 Fund's ETF Facts with another Fund'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 ETF Securities of each such Fund; and

            (B) confirming that the Authorized Dealer, Designated Broker, Affiliate Dealer or Other Dealer has in place and will enforce 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.

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

4. The decision of the principal regulator is that the Exemption Sought from the Sales and Redemption Requirements is granted, provided that the Filer will be in compliance with the following conditions:

(a) with respect to its Mutual Fund Securities, each Fund complies with the provisions of Parts 9, 10 and 14 of NI 81-102 that apply to mutual funds that are not exchange-traded mutual funds; and

(b) with respect to its ETF Securities, each Fund compiles with the provisions of Parts 9 and 10 of NI 81-102 that apply to exchange-traded mutual funds.

As to the Exemption Sought from the ETF Prospectus Form Requirement, Take-over Bid Requirements and Sales and Redemption Requirements:

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

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

"William Furlong"
Commissioner
Ontario Securities Commission

"Peter Currie"
Commissioner
Ontario Securities Commission

SCHEDULE A

PROPOSED FUNDS

Coincapital STOXX Blockchain Patents Innovation Index Fund
Coincapital STOXX B.R.AI.N. Index Fund

2.2 Orders

2.2.1 Global Champions Split Corp. – s. 1(6) of the OBCA

Headnote

Filer deemed to have ceased to be offering its securities to the public under the OBCA.

Statutes Cited

Business Corporations Act, R.S.O. 1990, c. B.16, as am., s. 1(6).

IN THE MATTER OF
THE BUSINESS CORPORATIONS ACT (ONTARIO),
R.S.O. 1990, c. B.16, AS AMENDED
(the OBCA)

AND

IN THE MATTER OF
GLOBAL CHAMPIONS SPLIT CORP.
(THE FILER)

ORDER
(Subsection 1(6) of the OBCA)

WHEREAS the Filer has applied to the Ontario Securities Commission (the **Commission**) for an order pursuant to subsection 1(6) of the OBCA that it be deemed to have ceased to be offering its securities to the public;

AND WHEREAS the Filer has represented to the Commission that:

1. the Filer is an "offering corporation" as defined in the OBCA;

2. all of the Filer's issued and outstanding Class A Preferred Shares, Series 1 (the **Shares**) were redeemed on August 20, 2018;

3. as a result of the redemption of the Shares, the Filer's issued and outstanding shares are owned by Partners Value Investments Inc. (10 Voting Shares), and no other shares are issued and outstanding;

4. the Filer has no intention to seek public financing by way of an offering of securities;

5. on August 8, 2018, the Commission received an application under National Policy 11-206 *Process for Cease to be a Reporting Issuer Applications* and ordered, pursuant to subclause 1(10) (a) (ii) of the *Securities Act* (Ontario) that the Filer is not a reporting issuer; and

6. as a result of the Commission's order, the Filer is not a reporting issuer or the equivalent in any jurisdiction of Canada.

AND WHEREAS the Commission is satisfied that to do so would not be prejudicial to the public interest;

IT IS ORDERED that the Filer is deemed to have ceased to be offering its securities to the public.

DATED at Toronto on August 31, 2018.

"Philip Anisman"
Commissioner
Ontario Securities Commission

"Deborah Leckman"
Commissioner
Ontario Securities Commission

2.2.2 Omega Securities – s. 127

File No.: 2017-64

IN THE MATTER OF
OMEGA SECURITIES INC.

Mark J. Sandler, Commissioner and Chair of the Panel

September 5, 2018

ORDER
(Subsection 127(7) of the
Securities Act, RSO 1990, c S.5)

WHEREAS the Ontario Securities Commission (the **Commission**) conducted a hearing in writing, to consider whether to extend the temporary order of the Commission issued on November 23, 2017 in this matter (the **Temporary Order**) and extended on December 5, 2017, January 26, 2018, February 27, 2018, March 28, 2018, April 12, 2018, May 14, 2018, May 30, 2018 and July 30, 2018;

ON READING correspondence from Staff of the Commission and Omega Securities Inc. indicating the parties' consent to this order;

IT IS ORDERED THAT:

1. Pursuant to section 5.1 of the *Statutory Powers Procedure Act*, RSO 1990, c S.22 and Rule 23(2) of the Ontario Securities Commission *Rules of Procedure and Forms* (2017), 40 OSCB 8988, the hearing be conducted in writing; and

2. Pursuant to subsection 127(7) of the *Securities Act*, RSO 1990, c S.5, the Temporary Order is extended until October 4, 2018.

"Mark J. Sandler"

2.2.3 Omega Securities

File No.: 2017-66

IN THE MATTER OF
OMEGA SECURITIES INC.

Mark J. Sandler, Commissioner and Chair of the Panel

September 5, 2018

ORDER

WHEREAS the Ontario Securities Commission (the **Commission**) held a hearing in writing to consider a request by Staff of the Commission (**Staff**) and Omega Securities Inc. (**OSI**) to revise the schedule for this proceeding;

ON READING correspondence from Staff and OSI indicating the parties' consent to this order;

IT IS ORDERED THAT:

1. This motion is heard in writing in accordance with Rule 23(2) of the Ontario Securities Commission *Rules of Procedure and Forms* (2017), 40 OSCB 8988 and section 5.1 of the *Statutory Powers Procedure Act*, RSO 1990, c S.22;

2. The Second Appearance in this matter scheduled for September 5, 2018, is vacated; and

3. The Second Appearance in this matter will be heard on October 4, 2018, at 10:00 a.m., or such other date as may be agreed to by the parties and set by the Office of the Secretary.

"Mark J. Sandler"

2.2.4 Donald Mason

FILE NO.: 2018-1

IN THE MATTER OF
DONALD MASON

Mark Sandler, Chair of the Panel

September 6, 2018

ORDER

WHEREAS the Ontario Securities Commission (the **Commission**) held a hearing in writing to consider a request by Staff of the Commission (**Staff**) and Donald Mason (**Mason**) to revise the schedule for this proceeding;

ON READING correspondence from Staff indicating Staff's and Mason's consent to this order;

IT IS ORDERED THAT:

1. Staff shall serve and file reply evidence, if any, including the names and anticipated evidence of witnesses and written submissions on Mason's Application, on or before September 28, 2018;

2. Mason shall serve and file written submissions on his Application on or before October 10, 2018; and

3. The hearing and review of the Application will be heard on October 29, November 2 and November 5, 2018, beginning 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.

"Mark J. Sandler"

2.2.5 Vincent George Byrne – ss. 127(1), 127(10)

FILE NO.: 2018-47

IN THE MATTER OF
VINCENT GEORGE BYRNE

D. Grant Vingoe, Vice-Chair and Chair of the Panel

September 6, 2018

ORDER
(Subsections 127(1) and 127(10) of the
Securities Act, RSO 1990, c S.5)

WHEREAS the Ontario Securities Commission held a hearing in writing, to consider a request by Staff of the Ontario Securities Commission (**Staff**) for an order imposing sanctions against Vincent George Byrne (**Byrne**) pursuant to subsections 127(1) and 127(10) of the *Securities Act*, RSO 1990, c S.5 (the **Act**);

ON READING the Order of the Nova Scotia Securities Commission (**NSSC**) dated February 28, 2018 (the **NSSC Order**), with respect to Byrne and the Settlement Agreement between Byrne and NSSC Staff dated February 8, 2018, and on reading the materials filed by Staff, the correspondence and consent of Byrne dated August 27, 2018 and the draft Order consented to by Byrne;

IT IS ORDERED THAT:

1. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities by Byrne shall cease until February 28, 2021, except that Byrne may continue to trade in securities which are beneficially owned by Byrne or by those persons listed in Appendix "A" to the NSSC Order;

2. pursuant to paragraph 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law shall not apply to Byrne until February 28, 2028;

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

4. pursuant to paragraphs 8, 8.2 and 8.4 of subsection 127(1) of the Act, Byrne is prohibited from becoming or acting as a director or officer of any issuer, registrant, or investment fund manager, until February 28, 2023;

5. pursuant to paragraph 1 of subsection 127(1) of the Act, should Byrne seek registration in Ontario after February 28, 2023, terms and conditions of close supervision and monthly reporting shall be imposed upon any grant of registration to Byrne, for a period of five years from the date registration is granted; and

6. pursuant to subsection 9(1)(b) of the *Statutory Powers Procedures Act*,[1] Appendix "A" to the draft of the NSSC Order appended as Schedule A of the Settlement Agreement between the NSSC and Byrne, dated the 8th day of February, 2018 reproduced at Tab 1 and appended to the NSSC Order and the Settlement Agreement reproduced as Tab 2 of Staff's Hearing Brief, marked as Exhibit 1 in this written hearing, shall be kept confidential.

"D. Grant Vingoe"

2.2.6 Trilogy Mortgage Group Inc. and Trilogy Equities Group Limited Partnership – s. 127(1)

FILE NO.: 2018-21

IN THE MATTER OF
TRILOGY MORTGAGE GROUP INC. and
TRILOGY EQUITIES GROUP LIMITED PARTNERSHIP

Philip Anisman, Chair of the Panel
Deborah Leckman, Commissioner
Robert P. Hutchison, Commissioner

September 10, 2018

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

WHEREAS the Ontario Securities Commission (the **Commission**) held a hearing in writing to consider an application by staff of the Commission (**Staff**) to further extend a temporary order dated April 16, 2018 (the **Temporary Order**) and extended on April 26, 2018;

ON READING the materials filed by Staff, including an email from the respondents consenting to the requested extension;

IT IS ORDERED THAT:

1. the hearing be conducted in writing; and

2. the Temporary Order is extended until Sunday, March 31, 2019.

"Philip Anisman"

"Deborah Leckman"

"Robert P. Hutchison"

[1] RSO 1990, c S.22.

2.2.7 Arizona Mining Inc.

Headnote

National Policy 11-206 Process for Cease to be a Reporting Issuer Applications – Application for an order than the issuer is not a reporting issuer under applicable securities laws – issuer in default of securities legisation – relief granted.

Applicable Legislative Provisions

Securities Act (Ontario), ss. 1(10)(a)(ii).

August 31, 2018

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

AND

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

AND

IN THE MATTER OF
ARIZONA MINING INC.
(the Filer)

ORDER

Background

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

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

(a) the British Columbia Securities Commission is the principal regulator for this application,

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

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

Interpretation

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

Representations

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

1. the Filer is a company existing under the *Business Corporations Act* (British Columbia) (BCBCA);

2. the Filer's head office is located in Vancouver, British Columbia;

3. the Filer's authorized share capital consists of an unlimited number of common shares (Common Shares) and an unlimited number of preferred shares;

4. on June 17, 2018, the Filer entered into an arrangement agreement with South32 Limited (South32) and its affiliate South32 North America Projects ULC (Acquireco), pursuant to which Acquireco would acquire all of the Common Shares not already held by affiliates of South32 by way of a plan of arrangement (the Arrangement) under the BCBCA;

5. the Arrangement was approved at a special meeting of the shareholders of the Filer held on August 2, 2018, and on August 3, 2018 the Supreme Court of British Columbia granted a final order approving the Arrangement;

6. on August 10, 2018, the Arrangement was completed and Acquireco acquired all of the Common Shares;

7. the Common Shares were delisted from the Toronto Stock Exchange on August 10, 2018;

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

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

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

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

12. the Filer is not in default of securities legislation in any jurisdiction, other than the obligation of the Filer to file on or before August 14, 2018 its interim financial statements and related management's discussion and analysis for the interim period ended June 30, 2018 as required under National Instrument 51-102 *Continuous Disclosure Obligations* and the related certificates as required under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* (collectively, the Filings); and

13. the Filer is not eligible to use the simplified procedure under National Policy 11-206 Process for Cease to be a Reporting Issuer Applications as it is in default for failure to file the Filings.

Order

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

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

"John Hinze"
Director, Corporate Finance
British Columbia Securities Commission

2.2.8 Canso Select Opportunities Fund

Headnote

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

Applicable Legislative Provisions

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

September 7, 2018

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

AND

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

AND

IN THE MATTER OF
CANSO SELECT OPPORTUNITIES FUND
(the Filer)

ORDER

Background

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

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

(a) the Ontario Securities Commission is the principal regulator for this application, and

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

Interpretation

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

Representations

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

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

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

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

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

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

Order

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

The decision of the principal regulator under the Legislation is that the Order Sought is granted.

"Neeti Varma"
Acting Manager
Ontario Securities Commission

2.2.9 Raging River Exploration Inc.

Headnote

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

Applicable Legislative Provisions

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

Citation: *Re Raging River Exploration Inc.*, 2018 ABASC 147

September 5, 2018

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

AND

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

AND

IN THE MATTER OF
RAGING RIVER EXPLORATION INC.
(the Filer)

ORDER

Background

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

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

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

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

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

Interpretation

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

Representations

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

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

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

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

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

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

Order

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

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

"Cheryl McGillivray"
Manager, Corporate Finance
Alberta Securities Commission

2.2.10 USI Tech Limited et al.

FILE NO.: 2018-8

IN THE MATTER OF
USI TECH LIMITED,
ELEANOR PARKER AND
CASEY COMBDEN

Timothy Moseley, Vice-Chair and Chair of the Panel

September 11, 2018

ORDER

WHEREAS the Ontario Securities Commission held a hearing in writing to consider a motion by Gowling WLG (Canada) LLP (**Gowling**) to remove Gowling as counsel of record for the respondents;

ON READING the materials filed by Gowling, and on considering that USI Tech Limited has terminated its retainer with Gowling, that Casey Combden consents to the removal of Gowling as his counsel and that Eleanor Parker did not respond to the motion, although properly served;

IT IS ORDERED THAT Gowling is removed as counsel of record for the respondents.

"Timothy Moseley"

2.2.11 Money Gate Mortgage Investment Corporation et al.

FILE NO.: 2017-79

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

Timothy Moseley, Vice-Chair and Chair of the Panel

September 11, 2018

ORDER

WHEREAS the Ontario Securities Commission (the **Commission**) held a hearing in writing to consider a request by Money Gate Mortgage Investment Corporation, Money Gate Corp., Morteza Katebian and Payam Katebian (the **Respondents**) to revise the dates for the hearing on the merits in this proceeding, previously set by order of the Commission issued July 6, 2018;

ON READING correspondence from Staff of the Commission indicating its consent to this order;

IT IS ORDERED THAT:

1. the hearing dates previously scheduled for November 15, 16, 19, 26, 28, and 29, 2018, are hereby vacated; and

2. the hearing on the merits shall be held on December 3, 4, 5, 6, 10, 12, 13, 14, 17, 18, 19, and 20, 2018, and January 7, 9, 10, 11, 14, 15, 16, 18, 28, 29, and 30, 2019, commencing at 10:00 a.m. on each scheduled day, or such other dates and times as provided by the Office of the Secretary and agreed to by the parties.

"Timothy Moseley"

2.2.12 Martin Bernholtz

FILE NO.: 2018-16

IN THE MATTER OF
MARTIN BERNHOLTZ

Mark J. Sandler, Commissioner and Chair of the Panel

September 11, 2018

ORDER

WHEREAS on September 11, 2018, the Ontario Securities Commission held a hearing at the offices of the Commission, located at 20 Queen Street West, 17th Floor, Toronto, Ontario with respect to the third attendance in this proceeding;

ON HEARING the submissions of the representatives for Staff of the Commission and for Martin Bernholtz;

IT IS ORDERED that:

1. each party shall serve the other party with a hearing brief containing copies of the documents, and identifying the other things, that the party intends to produce or enter as evidence at the merits hearing by February 8, 2019;

2. each party shall provide to the Registrar a copy of an index to the party's hearing brief by February 12, 2019;

3. the final interlocutory attendance is scheduled for 8:30 a.m. on February 22, 2019;

4. each party shall provide to the Registrar the electronic documents that the party intends to rely on or enter into evidence at the merits hearing, along with an index file, by March 20, 2019; and

5. the hearing on the merits shall commence at 9:30 a.m. on March 25, 2019 and continue on March 26, 27, 28 and 29, 2019.

"Mark J. Sandler"

Chapter 3

Reasons: Decisions, Orders and Rulings

3.1 OSC Decisions

3.1.1 Vincent George Byrne – ss. 127(1), 127(10)

IN THE MATTER OF
VINCENT GEORGE BYRNE

REASONS AND DECISION
(Subsections 127(1) and (10) of the
***Securities Act*, RSO 1990, c S.5)**

Citation: Vincent George Byrne (Re), 2018 ONSEC 44
Date: 2018-09-06
File No.: 2018-47

Hearing:	In Writing	
Decision:	September 6, 2018	
Panel:	D. Grant Vingoe	Vice-Chair and Chair of the Panel
Appearances:	Christina Galbraith	For Staff of the Commission
	Donald C. Murray, Q.C.	For Vincent George Byrne

TABLE OF CONTENTS

REASONS AND DECISION

I. INTRODUCTION

[1] On February 8, 2018 Vincent George Byrne (**Byrne** or the **Respondent**) entered into a settlement agreement (the **Settlement Agreement**) with the Nova Scotia Securities Commission (the **NSSC**). Byrne admitted to breaching registration requirements under Nova Scotia securities legislation, and agreed to be made subject to sanctions, conditions, restrictions or requirements within the province of Nova Scotia. On February 28, 2018 Byrne became subject to an order of the NSSC (the **NSSC Order**).

[2] On August 13, 2018 Staff of the Ontario Securities Commission (**Staff**) elected to bring a proceeding under the expedited procedure as set out in Rule 11(3) of the Ontario Securities Commission *Rules of Procedure and Forms*[1] relying on the inter-jurisdictional enforcement provision found in subsection 127(10) of the Ontario *Securities Act*[2] (the **Act**) to request that a protective order be issued in the public interest under subsection 127(1) of the Act.

[3] On August 15, 2018 Byrne was served with a Notice of Hearing issued August 15, 2018, a Statement of Allegations dated August 13, 2018 and Staff's written submissions, hearing brief[3] and book of authorities.

1 (2017), 40 OSCB 8988.

2 RSO 1990, c S.5.

3 Hearing Brief marked as Exhibit 1.

[4] On August 27, 2018 counsel for Byrne filed a signed consent,[4] consenting to an order in this matter.

[5] The issues for me to consider are whether one of the circumstances under subsection 127(10) of the Act applies to Byrne, specifically, has he agreed to be subject to an order made by a securities regulatory authority imposing sanctions, conditions, restrictions or requirements, and if so, whether the Ontario Securities Commission should exercise its jurisdiction to make a protective order in the public interest pursuant to subsection 127(1) of the Act.

II. NSSC SETTLEMENT AGREEMENT AND ORDER

[6] In the Settlement Agreement dated February 8, 2018, Byrne acknowledged and admitted the following:

a. By having trading authority and by effecting trades in 16 client accounts, the Respondent acted as an adviser without being registered to do so, thereby violating section 31(1)(2)(a) of the Nova Scotia *Securities Act*[5] (the **NS Act**).

[7] The NSSC Order imposed the following terms on Byrne:

a. Pursuant to section 134(1)(a)(i) of the NS Act, the Respondent complies with and ceases contravening Nova Scotia securities laws;

b. Pursuant to section 134(1)(b) of the NS Act, the Respondent shall, for a period of three years from the date of this order, cease trading in securities beneficially owned by anyone other than himself, with the exception of those persons listed in Appendix A to this order, which shall not be made public;

c. Pursuant to section 134(1)(c) of the NS Act, all of the exemptions contained in Nova Scotia securities laws do not apply to the Respondent for a period of ten years from the date of this order;

d. Pursuant to section 134(1)(d)(ii) of the NS Act, the Respondent shall be prohibited from becoming or acting as a director or officer of any issuer, registrant or investment fund manager for a period of five years from the date of this order;

e. Pursuant to section 134(1)(f) of the NS Act, that terms and conditions of close supervision and monthly reporting be imposed upon any grant of registration to the Respondent for a period of five years from the date of granting the registration;

f. Pursuant to section 134(1)(h) of the NS Act, the Respondent shall be reprimanded; and

g. Pursuant to sections 135(a) and (b) of the NS Act, the Respondent shall pay an administrative penalty in the amount of seven thousand five hundred dollars ($7,500.00): five thousand dollars ($5,000.00) of which is payable within 60 days from the date of this order, and two thousand five hundred dollars ($2,500.00) of which is payable within six months of the date of this order.

III. CONSENT ORDER

[8] Staff requests, and the Respondent consents to, an order in the public interest in Ontario that imposes terms similar to the sanctions, conditions, restrictions or requirements imposed by the NSSC, to the extent possible under the Act.

[9] Additionally, to maintain the confidentiality of the personal information contained in Appendix “A” to the NSSC Order, and consistent with the terms set out in the NSSC Order, I have also ordered this information be kept confidential.

IV. ORDER

[10] Therefore, since both Staff and the Respondent consent to the granting of an order in the public interest, as described above, and the requirements of Section 127 (10) of the Act are satisfied, I will issue the following order against Byrne:

a. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities by Byrne shall cease until February 28, 2021, except that Byrne may continue to trade in securities which are beneficially owned by Byrne or by those persons listed in Appendix "A" to the NSSC Order;

[4] Consent marked as Exhibit 2.

[5] RSNS 1989, c 418.

b. pursuant to paragraph 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law shall not apply to Byrne until February 28, 2028;

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

d. pursuant to paragraphs 8, 8.2 and 8.4 of subsection 127(1) of the Act, Byrne is prohibited from becoming or acting as a director or officer of any issuer, registrant, or investment fund manager, until February 28, 2023;

e. pursuant to paragraph 1 of subsection 127(1) of the Act, should Byrne seek registration in Ontario after February 28, 2023, terms and conditions of close supervision and monthly reporting shall be imposed upon any grant of registration to Byrne, for a period of five years from the date registration is granted; and

f. pursuant to subsection 9(1)(b) of the *Statutory Powers Procedures Act*,[6] Appendix "A" to the draft of the NSSC Order appended as Schedule A of the Settlement Agreement between the NSSC and Byrne, dated the 8th day of February, 2018 reproduced at Tab 1 and appended to the NSSC Order and the Settlement Agreement reproduced as Tab 2 of Staff's Hearing Brief, marked as Exhibit 1 in this written hearing, shall be kept confidential.

Dated at Toronto this 6th day of September, 2018.

"D. Grant Vingoe"

[6] RSO 1990, c S.22.

3.2 Director's Decisions

3.2.1 Chris Triantos

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, c. S.5, AS AMENDED

AND

IN THE MATTER OF
AN OPPORTUNITY TO HEARD REQUESTED BY
CHRIS TRIANTOS

DECISION OF THE DIRECTOR

Having reviewed and considered the agreed statement of facts, the admissions by Chris Triantos ("Triantos"), and the joint recommendation to the Director by Triantos and staff of the Ontario Securities Commission ("Staff") contained in the settlement agreement signed by Triantos on August 25, 2018, and by Staff on August 27, 2018 (the "Settlement Agreement"), a copy of which is attached as Schedule "A" to this Decision, and on the basis of those agreed facts and admissions, I, Marrianne Bridge, in my capacity as Director under the *Securities Act*, R.S.O. 1990, c. S.5 (the "Act"), accept the joint recommendation of the parties, and make the following decision:

(a) Triantos's registration shall be suspended pursuant to section 28 of the Act.

(b) Triantos may apply to reactivate his registration if he provides Staff with evidence of his successful completion of the CPH or the *Ethics and Professional Conduct Course* (the "EPC") offered by the IFSE Institute, and Staff will not recommend to the Director that his application be refused unless Staff becomes aware after the date of this Settlement Agreement of conduct impugning Triantos's suitability for registration or rendering his registration objectionable, and provided he meets all applicable criteria for registration at the time.

August 31, 2018

"Marrianne Bridge"

Schedule "A"

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, c. S.5, AS AMENDED

AND

IN THE MATTER OF
AN OPPORTUNITY TO HEARD REQUESTED BY
CHRIS TRIANTOS

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. This settlement agreement (the "Settlement Agreement") relates to the registration status of Chris Triantos ("Triantos") as a mutual fund dealing representative under the *Securities Act*, R.S.O. 1990, c. S.5 (the "Act").

2. As more particularly described in this Settlement Agreement, Triantos has failed to comply with Ontario securities law. Triantos and staff of the Ontario Securities Commission ("Staff") agree that it is appropriate that his registration be suspended, and the parties have agreed to make a joint recommendation to the Director regarding the suspension of Triantos's registration.

II. AGREED STATEMENT OF FACTS

3. The parties agree to the facts as stated below.

4. Triantos has been registered under the Act as a mutual fund dealing representative (a category of registration known as mutual fund salesperson prior to September 28, 2009) more or less continuously since February 1996. Since October 2017, Triantos has been registered with Shah Financial Planning Inc. ("Shah").

5. At the time Triantos became registered with Shah, the Director imposed terms and conditions on his registration that, among other things, required him to successfully complete the *Conduct and Practices Handbook* Course Exam (the "CPH") by no later than April 26, 2018. These terms and conditions had been imposed to address Triantos's lack of understanding of his self-reporting obligations under National Instrument 33-109 *Registration Information* and under his previous sponsoring firm's internal policies and procedures. In particular, Triantos did not understand his obligation to self-report a consumer proposal he made, or a garnishment by the Canada Revenue Agency that had been issued against him

6. The terms and conditions imposed on Triantos's registration constituted "Ontario securities law" as that term is defined in the Act.

7. Triantos wrote the CPH on April 26, 2018 and did not achieve a passing mark. Prior to informing Staff of his unsuccessful attempt to pass the CPH, Triantos registered to re-write the exam on May 25, 2018. At Staff's request, Shah prohibited Triantos from trading in securities pending the outcome of his May 25, 2018 CPH results.

8. Triantos wrote the CPH for a second time on May 25, 2018, and again he did not achieve a passing mark. Triantos informed Staff that his lack of success on the exam was due to personal health reasons.

9. Triantos wrote the CPH for a third time on July 28, 2018, and again he did not achieve a passing mark.

10. On August 10, 2018, Staff informed Triantos that it had recommended to the Director that his registration be suspended for his failure to comply with the terms and conditions of his registration.

11. On August 23, 2018, pursuant to section 31 of the Act Triantos requested an opportunity to be heard (and "OTBH") before the Director regarding Staff's recommendation that his registration be suspended.

III. ADMISSIONS AND REPRESENTATIONS BY TRIANTOS

12. Triantos admits that by not successfully completing the CPH by April 26, 2018, he failed to comply with the terms and conditions of his registration imposed by the Director, and therefore with Ontario securities law.

IV. JOINT RECOMMENDATION

13. The parties make the following joint recommendation to the Director regarding Triantos's registration status:

    (a) Triantos's registration shall be suspended pursuant to section 28 of the Act.

    (b) Triantos may apply to reactivate his registration if he provides Staff with evidence of his successful completion of the CPH or the *Ethics and Professional Conduct* Course (the "EPC") offered by the IFSE Institute, and Staff will not recommend to the Director that his application be refused unless Staff becomes aware after the date of this Settlement Agreement of conduct impugning Triantos's suitability for registration or rendering his registration objectionable, and provided he meets all applicable criteria for registration at the time.

14. The parties submit that their joint recommendation is appropriate for the following reasons:

    (a) Triantos has admitted his non-compliance with Ontario securities law.

    (b) Triantos did not wilfully disregard his obligations under the terms and conditions of his registration.

    (c) Should Triantos elect to complete the EPC instead of the CPH, Staff is of the view that the EPC is an acceptable alternative to the CPH to remediate the specific proficiency concerns that led to Triantos being was required to take the CPH pursuant to the terms and conditions of his registration.

    (d) By agreeing to this Settlement Agreement, Triantos has saved Staff and the Director the time and resources that would have been required for an OTBH.

15. The parties acknowledge that if the Director does not accept this joint recommendation:

    (a) This settlement agreement and all related negotiations between the parties shall be without prejudice.

    (b) Triantos will be entitled to an OTBH in accordance with section 31 of the Act in respect of Staff's recommendation that his registration be suspended by the Director.

"Chris Triantos"
Chris Triantos

August 25, 2018

"Elizabeth King"
Deputy Director
Compliance and Registrant Regulation

August 27, 2018

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
Callitas Health Inc.	05 September 2018	
Enssolutions Group Inc.	05 September 2018	
Gelum Capital Ltd.	04 September 2018	
Groundstar Resources Limited	04 September 2018	
Hydro66 Holdings Corp	05 September 2018	
Isodiol International Inc.	05 September 2018	
Redhawk Resources, Inc.	05 September 2018	
Sage Gold Inc.	05 September 2018	
Tethys Petroleum Limited	29 June 2018	07 September 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 6

Request for Comments

6.1.1 Proposed Amendments to National Instrument 81-105 Mutual Fund Sales Practices and Related Consequential Amendments

CSA Notice and Request for Comment

Proposed Amendments to National Instrument 81-105 *Mutual Fund Sales Practices* and Related Consequential Amendments

September 13, 2018

Introduction

The Canadian Securities Administrators (the **CSA** or **we**) are publishing for a 90-day comment period

- proposed amendments to National Instrument 81-105 *Mutual Fund Sales Practices* (**NI 81-105**),
- proposed changes to Companion Policy 81-105CP to National Instrument 81-*105 Mutual Fund Sales Practices* (**81-105CP**), and
- proposed consequential amendments to:
  - National Instrument 81-101 *Mutual Fund Prospectus Disclosure* (**NI 81-101**), including Form 81-101F1 *Contents of Simplified Prospectus* (**Form 81-101F1**) and Form 81-101F3 *Contents of Fund Facts Document* (**Form 81-101F3**), and
  - National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**NI 31-103**),

(collectively, the **Proposed Amendments**).

The text of the Proposed Amendments is contained in Annexes B through E of this notice and will also be available on websites of CSA jurisdictions, including:

www.bcsc.bc.ca
www.albertasecurities.com
www.fcaa.gov.sk.ca
www.mbsecurities.ca
www.osc.gov.on.ca
www.lautorite.qc.ca
www.fcnb.ca
https://nssc.novascotia.ca

Substance and Purpose

The purpose of the Proposed Amendments is to implement the CSA's policy response to the investor protection and market efficiency issues arising from the prevailing practice of investment fund managers remunerating dealers and their representatives for mutual fund sales through commissions, including sales and trailing commissions (**embedded commissions**).

The Proposed Amendments, together with the enhanced conflict of interest mitigation framework for dealers and representatives proposed under detailed reforms to NI 31-103 (the **Client Focused Reforms**) on June 21, 2018,[1] comprise the CSA's policy response to each of the investor protection and market efficiency issues we have identified. The Proposed Amendments, if adopted, would restrict the compensation that members of the organization of publicly-offered mutual funds (**fund organizations**) may currently pay to participating dealers, and that participating dealers may currently solicit and accept, under NI 81-105 in connection with the distribution of mutual fund securities.

Specifically, the objectives of the Proposed Amendments are to prohibit:

- the payment of upfront sales commissions by fund organizations to dealers, and in so doing, discontinue sales charge options that involve such payments, such as all forms of the deferred sales charge option,[2] including low-load options[3] (collectively, the **DSC option**), and

- trailing commission payments by fund organizations to dealers who do not make a suitability determination, such as order-execution-only (**OEO**) dealers.

The discontinuation of the DSC option would render obsolete certain disclosure requirements specific to that sales charge option under Form 81-101F1, Form 81-101F3 and NI 31-103. The consequential amendments propose to eliminate those disclosure requirements.

Background

On January 10, 2017, we published for comment CSA Consultation Paper 81-408 *Consultation on the Option of Discontinuing Embedded Commissions* (the **Consultation Paper**), in which we identified and discussed key investor protection and market efficiency issues arising from mutual fund embedded commissions.[4] The Consultation Paper sought specific feedback, including evidence-based and data-driven analysis and perspectives, on the option of discontinuing embedded commissions as a regulatory response to the identified issues and on the potential impacts to both market participants and investors of such a change, to enable the CSA to make an informed policy decision on whether to pursue this option or consider alternative policy changes.

Further to our evaluation of all the feedback received throughout the consultation process, including written submissions and in-person consultations, the CSA decided on a policy response which we announced in CSA Staff Notice 81-*330 Status report on Consultation on Embedded Commissions and Next Steps* (**CSN 81-330**) published on June 21, 2018. The CSA proposed the following policy changes:

1. to implement enhanced conflict of interest mitigation rules and guidance for dealers and representatives requiring that all existing and reasonably foreseeable conflicts of interest, including conflicts arising from the payment of embedded commissions, be addressed in the best interests of clients or avoided;

2. to prohibit all forms of the DSC option and their associated upfront commissions in respect of the purchase of securities of a prospectus qualified mutual fund; and

---

1 On June 21, 2018, we published a CSA Notice and Request for Comment seeking feedback on detailed reforms to registrant obligations that focus on the client's interests in the client-registrant relationship. These reforms, referred to as the Client Focused Reforms, propose changes to NI 31-103 that would, among other things, require registrants to:

- address conflicts of interest in the best interest of the client;
- put the client's interests first when making a suitability determination; and
- provide clients with greater clarity on what they should expect from their registrants.

The 120-day comment period on the Client Focused Reforms ends October 19, 2018.

2 Under the traditional deferred sales charge option, the investor does not pay an initial sales charge for fund securities purchased, but may have to pay a redemption fee to the investment fund manager (i.e. a deferred sales charge) if the securities are sold before a predetermined period of typically 5 to 7 years from the date of purchase. Redemption fees decline according to a redemption fee schedule that is based on the length of time the investor holds the securities. While the investor does not pay a sales charge to the dealer, the investment fund manager pays the dealer an upfront sales commission (typically equivalent to 5% of the purchase amount). The investment fund manager may finance the payment of the upfront sales commission and accordingly incur financing costs that are included in the ongoing management fees charged to the fund.

3 The low-load purchase option is a type of deferred sales charge option, but has a shorter redemption fee schedule (usually 2 to 4 years). The upfront sales commission paid by the investment fund manager and the redemption fees paid by investors are correspondingly lower than those of the traditional deferred sales charge option.

4 The Consultation Paper followed the CSA's initial consultation on mutual fund fees under CSA Discussion Paper and Request for Comment 81-407 *Mutual Fund Fees* published on December 13, 2012, which was followed by in-person consultations in several CSA jurisdictions in 2013. We published an overview of the key themes that emerged from this consultation process in CSA Staff Notice 81-323 *Status Report on Consultation under CSA Discussion Paper and Request for Comment 81-407 Mutual Fund Fees*.

3. to prohibit the payment of trailing commissions to, and the solicitation and acceptance of trailing commissions by, dealers who do not make a suitability determination in connection with the distribution of securities of a prospectus qualified mutual fund.

In addition to announcing the CSA's policy decision and providing a summary of the consultation process and the feedback received, CSN 81-330 provided an overview of the regulatory concerns that our proposed policy changes aim to address, and also discussed why we are not banning all forms of embedded commissions.

Concurrently with CSN 81-330, we published a CSA Notice and Request for Comment[5] seeking comment on the Client Focused Reforms proposing to implement the enhanced conflict of interest mitigation framework for dealers and representatives contemplated in component #1 of our policy response, together with other important changes aimed at better aligning the interests of registrants with the interests of their clients and improving investor outcomes. The Proposed Amendments are focused on the specific prohibitions proposed in components #2 and #3 of our policy response, thus completing the implementation of a package of reforms that we expect will respond to the issues arising from mutual fund embedded commissions.

Summary of the Proposed Amendments

1. Substantive amendments:

As discussed above, the Proposed Amendments are intended to prohibit the following payments by fund organizations in connection with the distribution of prospectus qualified mutual fund securities:

- upfront sales commissions to dealers – which prohibition we expect will eliminate the DSC option, and
- trailing commissions to dealers who are not subject to a suitability requirement, such as OEO dealers.

The Proposed Amendments include the following amendments to NI 81-105, which is the instrument that sets minimum standards of conduct to be followed by industry participants in their activities in distributing prospectus qualified mutual fund securities:

a. Definition of "member of the organization"

We propose to expand the definition of "member of the organization" in section 1.1 of NI 81-105 to include an "associate"[6] of the investment fund manager, of the principal distributor or of the portfolio adviser of the mutual fund. This would expand the group of persons or companies that are prohibited from making payments or providing benefits to participating dealers under NI 81-105 to also include any partners of the investment fund manager, principal distributor or portfolio adviser of the mutual fund, as well as any companies in which the investment fund manager, principal distributor or portfolio adviser of the mutual fund may have a 10% voting interest.

b. Definition of "trailing commission"

While section 3.2 of NI 81-105 currently permits a fund organization to pay a "trailing commission" to a participating dealer, the instrument currently does not define what comprises such payment. We accordingly propose to include a definition of "trailing commission" in section 1.1 in order to lend greater clarity to the existing permissive provision in subsection 3.2(1) and our new proposed rule regarding the payment of trailing commissions to dealers who do not make a suitability determination in subsection 3.2(4), discussed further below.

Consistent with the definition of "trailing commission" in NI 31-103, we broadly define "trailing commission" to mean any payment that is part of a continuing series of payments related to the ownership of securities of a mutual fund by a client of a participating dealer. This definition is accordingly not restricted to payments intended to compensate dealers and their representatives for advice afforded to clients, but rather captures payments for all services of any kind to the client in connection with their ownership of mutual fund securities.

[5] See note 1.

[6] Under securities legislation, the term "associate", where used to indicate a relationship with any person or company, includes among others,

(a) any company of which such person or company beneficially owns, directly or indirectly, voting securities carrying more than 10 per cent of the voting rights attached to all outstanding voting securities of the company,

(b) any partner of that person or company, and

(c) any trust or estate in which such person or company has a substantial beneficial interest or as to which such person or company serves as trustee or in a similar capacity.

c. Prohibition of sales commission payments by fund organizations

In connection with the CSA's decision to discontinue the DSC option and its associated upfront commissions, we propose to repeal section 3.1 of NI 81-105 which currently permits fund organizations to pay sales commissions to dealers for the distribution of mutual fund securities.

Subject to specified conditions, section 3.1 currently permits fund organizations to pay:

- upfront sales commissions out of their general revenue, and
- upfront sales commissions for sales made under the front-end load option that are deducted by the participating dealer from the investment amount at the time of the purchase.[7]

We expect that the repeal of section 3.1 and the resulting prohibition on fund organizations paying sales commissions to participating dealers[8] will have the following effects:

i. Discontinue all forms of the DSC option:

The upfront sales commission payable by fund organizations to dealers for mutual fund sales made under the DSC option is a key feature of that sales charge option that gives rise to a conflict of interest that can incentivize dealers and their representatives to make self-interested investment recommendations to the detriment of investor interests. We refer you to CSN 81-330 for an overview of the problematic registrant practices and investor harms we have identified in connection with the use of the DSC option and that underlie our proposal to eliminate that option.

By prohibiting fund organizations from paying upfront sales commissions to participating dealers, we will correspondingly eliminate the need for fund organizations to finance the cost of these commissions, which we expect will in turn eliminate the need for the following two features of the DSC option:

a. the redemption fee schedule, representing the period of time the fund organization requires the investor to remain invested in the mutual fund in order to recoup its financing costs (through management fees charged to the fund), and

b. the redemption fee, which essentially functions as a default penalty allowing the investment fund manager to recoup its financing costs in the event the investor redeems from the mutual fund prior to the end of the redemption fee schedule.

Consequently, we expect the prohibition on fund organizations paying upfront sales commissions to dealers will result in the discontinuation of the DSC option and its various features, including the redemption fee schedule and the related redemption fee. While we do not propose to specifically prohibit redemption fee schedules and redemption fees, we expect their use in this context will cease further to the implementation of this policy change. In our view, the continued use of these individual features of the DSC option in connection with new mutual fund investments made after the repeal of section 3.1 would promote the commercial interests of fund organizations ahead of the interests of mutual fund investors, which we would consider to be inconsistent with registrant conduct standards, including the investment fund manager's fiduciary duty under the legislation. However, we expect that the use of redemption fees by mutual funds for other specific purposes, such as for the purpose of deterring excessive or short-term trading and offsetting the associated costs, will continue.

We further expect that, since fund organizations will no longer incur the cost of financing upfront sales commissions to dealers on DSC mutual fund sales, the management fees charged to the mutual funds who previously offered the DSC option will be correspondingly reduced.

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[7] See CSA Notice of Proposed National Instrument 81-105 and Companion Policy 81-105CP *Mutual Fund Sales Practices* dated July 25, 1997, which describes the purpose of section 3.1 as follows:

> Section 3.1 permits the payment of a commission in money if the obligation to pay the commission arises at the time of the sale of the mutual fund on the conditions indicated. Commissions permitted by section 3.1 include upfront sales commissions paid by fund organizations and those paid under arrangements where the principal distributor of a mutual fund permits a participating dealer to retain the whole or a portion of commissions paid by those investors purchasing securities on a "front end load" basis. The primary conditions to such payments include requirements for prospectus disclosure as to the range of commissions that may be paid and the method of calculation used in determining the amounts of those commissions.

[8] Section 3.1 of NI 81-105 is a permissive provision that permits fund organizations to pay sales commissions to dealers as an exception to the general prohibition on the payment of money in section 2.1 of NI 81-105. Further to the repeal of section 3.1 of NI 81-105, fund organizations will be prohibited from paying sales commissions under the general prohibition on the payment of money in section 2.1 of NI 81-105. Similarly, dealers will be prohibited from soliciting and accepting sales commissions from fund organizations under the general prohibition on the solicitation and acceptance of the payment of money in section 2.2 of NI 81-105.

We do not expect that the repeal of section 3.1 will have any impact on the availability and use of other sales charge options, including the front-end load option as it currently exists today. We understand that, under that option, the dealer retains the sales commission agreed to by the investor from the investment proceeds that the investor submits for the mutual fund purchase, and remits the net proceeds to the fund organization for investment in the fund. In this case, we consider that the sales commission is paid directly by the investor and not by the fund organization, and thus is not within the scope of NI 81-105.

ii. Shift sales compensation matters to the dealer-client relationship:

The inability of participating dealers to receive upfront sales commissions from fund organizations for the distribution of mutual fund securities will require them to find alternative ways of maintaining their revenue stream which will likely require them to turn directly to their clients for such compensation. We therefore expect that this will cause dealers to shift to alternative, more salient forms of compensation for mutual fund purchases, such as front-end commissions under the front-end load option, transaction fees, or other type of compensation, that they may negotiate with, and charge directly to, the client. Fund organizations would accordingly no longer play a role in setting sales commission rates for the sale of their mutual funds as this would be a matter left to be negotiated and settled exclusively within the dealer-client relationship.

In proposed new sections 4.1.1 and 4.1.2 of 81-105CP, we clarify that, while fund organizations would, further to the repeal of section 3.1 of NI 81-105, be prohibited under the existing general prohibition in section 2.1 of the instrument from paying sales commissions to participating dealers, this would not preclude them from facilitating the payment of a sales commission negotiated and agreed to exclusively between the dealer and the mutual fund investor. For example, we would not consider the prohibition in section 2.1 of the instrument to be breached where a participating dealer remits to a fund organization the gross proceeds of an investor's purchase of mutual fund securities from which the fund organization then deducts and remits the sales commission to the participating dealer on the investor's behalf pursuant to instructions received from the dealer.

We note that the Client Focused Reforms published for comment on June 21, 2018,[9] propose certain changes that support and complement this proposed shift of sales compensation matters to the dealer-client relationship. Specifically, proposed amendments to the relationship disclosure obligations propose to require dealer firms to make publicly available information that a reasonable investor would consider important in deciding whether to become a client of the firm, including the account types, products and services that the firm offers, the charges and other costs to clients, including any fee schedule in effect, as well as any third-party compensation associated with its products, services and accounts.[10] We anticipate that these changes will give investors ready access to basic information about competing firms' products and services including the costs associated with those products and services, and thus enable investors to comparison shop and select a firm that best meets their needs and expectations.

d. Restriction on payment and acceptance of trailing commissions where no suitability determination made

In new subsection 3.2(4) of NI 81-105, we propose to prohibit fund organizations from paying trailing commissions where the participating dealer is not required to make a suitability determination in connection with a client's purchase and ongoing ownership of prospectus qualified mutual fund securities. This would effectively prohibit the payment of mutual fund trailing commissions to dealers who are not subject to the obligation to make a suitability determination under section 13.3 of NI 31-103 or under the corresponding rules of the self-regulatory organizations (**SROs**). Such dealers would include, among others, OEO dealers and dealers acting on behalf of a 'permitted client' that has waived the suitability requirements.

Accordingly, new subsection 3.2(4) of NI 81-105 is intended to require dealers to provide investors with advice arising from the suitability requirements in order to qualify for the receipt of trailing commission payments. OEO dealers and other dealers who are not required to make suitability determinations will be expected to charge investors directly for the services they provide. We expect this will lead to an increased use of more transparent and salient fees (such as trading commissions, transaction fees, or other directly-charged fees) for the purchase and holding of mutual fund securities through OEO dealers that may better align with the cost of the services such dealers provide.

In proposed new section 5.4 of 81-105CP, we clarify our expectations with respect to this new restriction on the payment of trailing commissions by fund organizations to dealers who do not make suitability determinations. The section reminds that subsection 2.2(2) of NI 81-105 imposes a corresponding restriction on participating dealers from soliciting and accepting from fund organizations any payment that fund organizations are not expressly permitted to make under Parts 3 and 5 of the instrument. Accordingly, the new restriction on fund organizations in subsection 3.2(4) of NI 81-105 gives rise to a corresponding restriction on dealers who do not make suitability determinations from soliciting or accepting trailing commission payments from fund organizations. We also state our view in section 5.4 of 81-105CP that fund organizations should make available to participating dealers who do not make suitability determinations in respect of a client, a class or series of securities of a mutual fund that does

[9] See note 1.

[10] See proposed section 14.1.2 of NI 31-103 of the amendments published for comment June 21, 2018.

not pay trailing commissions,[11] which the dealer should offer to the client. We expect that the rate of the management fee charged on that class or series of securities of a mutual fund would reflect the absence of trailing commission costs and thus be correspondingly reduced.

Finally, we propose a housekeeping amendment to subsection 3.2(1) of NI 81-105 which consists of moving the lead-in language in that subsection stating that trailing commissions are based on the value of securities of the mutual fund held in accounts of clients of the participating dealer, and making this a specific condition to the payment of trailing commissions under new proposed paragraph 3.2(1)(a.1).

2. Consequential amendments:

We propose certain consequential amendments to the simplified prospectus form under Form 81-101F1 and the Fund Facts document under Form 81-101F3, as well as to dealer disclosure obligations under NI 31-103, to reflect the expected discontinuation of the DSC option and the shift of sales compensation matters to the dealer-client relationship, as discussed above. Specifically, we propose:

- under Item 8.1 of Part A of Form 81-101F1, to replace the requirement to disclose in the "Fees and Expenses" table the percentage rate of the sales charge with a general statement that the dealer may charge the investor a sales charge or transaction fee which the investor may negotiate with the dealer;
- under Item 8.2 of Part A of Form 81-101F1, to repeal the requirement to illustrate the impact of sales charges associated with the different purchase options;
- under Item 9 of Part A of Form 81-101F1, to delete instructions pertaining to disclosure of the payment of sales commissions by the investment fund manager to the dealer;
- under Item 1.2 of Part II of Form 81-101F3, to replace the table requiring illustrations of different sales charge options with the requirement to provide an overview of any sales charges that investors may have to pay when they purchase securities of the mutual fund, including whether the amount is negotiable, whether it may be paid directly by the investor or deducted from the amount paid at the time of purchase, who pays (in the case of a payment on behalf on an investor) and who receives the amount payable;
- under Item 1.3 of Part II of Form 81-101F3, to remove the requirement to state that the rate of the trailing commission depends on the sales charge option chosen by the investor, and replace the requirement to disclose the range of the rates of the trailing commission for each sales charge option with the requirement to disclose the range of the rate of the trailing commission;
- in paragraph 8.7(4)(a) of NI 31-103, to repeal the requirement for an investment fund to set out in its prospectus, as a condition to the exemption from the dealer registration requirement provided for investment fund reinvestments, the details of any deferred or contingent sales charge or redemption fee that may be payable; and
- in paragraph 14.2.1(1)(b) of NI 31-103, to repeal the requirement for a registered firm to provide pre-trade disclosure of any deferred sales charges applicable to the subsequent sale of the security and the redemption fee schedule that will apply.

Alternatives Considered to the Proposed Amendments

The CSA previously considered various alternatives to the Proposed Amendments. The CSA initially examined under the Consultation Paper the option of discontinuing all forms of embedded commissions and, in subsequent in-person consultations with stakeholders, explored the viability of various alternatives, including: (i) standardizing or capping trailing commissions, (ii) implementing additional standards for the use of the DSC option, (iii) enhancing fee disclosure requirements, and (iv) requiring dealers and representatives to offer all clients the option of a direct-pay arrangement alongside an embedded commission option. We concluded that these alternatives would not adequately address the investor protection and market efficiency issues arising from the use of embedded commissions. Given the importance of the identified issues, the CSA did not consider maintaining the status quo to be an option.

The CSA also considered other ways of improving fee disclosure. In this regard, as mentioned in CSN 81-330, the CSA are supportive of the Mutual Fund Dealers Association's (**MFDA**) proposal to expand cost reporting for investment funds to allow

[11] For example, an existing class or series of mutual fund securities generally denoted as class or series "F" (typically intended for fee-based clients) could potentially be used for this purpose. Alternatively, another class or series that similarly does not pay any trailing commissions could be used.

investors to better understand the ongoing costs of each investment fund they own and their total costs of investing.[12] We expect to engage more closely with the MFDA and the Investment Industry Regulatory Organization of Canada to advance this important initiative.

The CSA believe that the Proposed Amendments, together with the enhanced conflict of interest mitigation framework proposed under the Client Focused Reforms, appropriately respond to the issues we identified, and at the same time respond to stakeholders' concerns about the potential adverse consequences to investors and market participants of discontinuing all forms of embedded commissions. Importantly, this package of reforms is designed to address not only conflicts arising from embedded commissions, but rather all types of conflicts that can incentivize poor registrant behaviour and subvert investor interests, and thus provides a holistic approach to the treatment of all conflicts in the registrant-client relationship.

Anticipated Costs and Benefits of the Proposed Amendments

In Annex F, we provide an overview of the anticipated costs and benefits of our proposed package of reforms to address concerns related to the payment of embedded commissions, which reforms include the Proposed Amendments together with the changes proposed under the Client Focused Reforms.

Transition

We expect that registrants will require some time to operationalize the Proposed Amendments. At this time, we anticipate providing a transition period of 365 days from the date of final publication of the amendments, at the end of which the changes would become effective (**effective date**).

Discontinuation of DSC option:

We anticipate that the proposed transition period will provide sufficient time for dealer firms and representatives who currently make substantial use of the DSC option to transition their practices and operational systems and processes to the use of other sales charge options. We expect they will increase their use of the front-end load option or other direct-pay arrangements with their clients. Some dealer firms may also have to reassess their internal compensation arrangements. We believe the proposed transition period should also give investment fund managers enough time to revise their mutual funds' simplified prospectuses and Fund Facts documents to reflect the discontinuation of the DSC option.

We would not expect existing mutual fund investments held under the DSC option as at the effective date to have to be converted to the front-end load option or other sales charge option. Accordingly, the redemption schedules on those existing DSC holdings as at the effective date would be allowed to run their course until their scheduled expiry, and fund organizations would continue to be allowed to charge redemption fees on those existing holdings that are redeemed prior to the expiry of the applicable redemption schedule. However, any new mutual fund purchases made on or after the effective date will need to comply with the new rules.

While dealer firms will continue to be allowed to sell mutual fund securities under the DSC option during the transition period, we caution that we will closely examine such sales that are made up to the effective date to ensure that those recommendations are fully compliant with securities legislation, in particular the suitability requirements of NI 31-103. The SROs are also expected to closely examine such sales under their conflict of interest rules.

Discontinuation of trailing commission payments to dealers who do not make suitability determinations:

We anticipate that the proposed transition period will provide sufficient time for OEO dealers and other dealers who do not make suitability determinations to implement new direct-fee charging systems and processes to enable them to collect their fees for their services directly from mutual fund investors as at the effective date. As of that date, dealers who are not subject to the suitability requirement and who administer client accounts that have existing holdings of publicly-offered mutual funds would no longer be allowed to accept trailing commission payments from fund organizations on those holdings. We expect that the dealers concerned would move those mutual fund holdings to a trailing commission-free class or series of the relevant mutual funds, which class or series we would expect fund organizations to correspondingly make available for use on OEO dealer platforms.

In Annex A of this Notice, we invite comments on specific questions to help inform and determine transition needs.

[12] On April 19, 2018, the MFDA published a discussion paper to solicit feedback from stakeholders on the potential expansion of cost reporting for investment funds. This discussion paper outlines a number of different approaches that can be integrated into existing reporting requirements. See MFDA Bulletin #0748-P.

Local Matters

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

Unpublished Materials

In developing the Proposed Amendments, we have not relied on any significant unpublished study, report or other written materials.

Request for Comments

We welcome your comments on the Proposed Amendments, and also invite comments on the specific questions set out in Annex A of this Notice. Some CSA jurisdictions will hold in-person consultations to further discuss the Proposed Amendments and the questions in Annex A. The details of any in-person consultations will be announced by the CSA jurisdiction.

We cannot keep submissions confidential because securities legislation in certain provinces requires publication of a summary of the written comments received during the comment period. All comments will be posted on the websites of each of the Ontario Securities Commission at www.osc.gov.on.ca, the Alberta Securities Commission at www.albertasecurities.com and the Autorité des marchés financiers at www.lautorite.qc.ca. Therefore, you should not include personal information directly in comments to be published. It is important you state on whose behalf you are making the submissions.

Deadline for Comments

Please submit your comments in writing on or before **December 13, 2018**. If you are not sending your comments by email, please send a USB flash drive containing the submissions (in Microsoft Word format).

Where to Send Your Comments

Address your submission to all of the CSA as follows:

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

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

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

Me Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
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Contents of Annexes

The text of the Proposed Amendments is contained in the following annexes to this Notice and is available on the websites of members of the CSA:

Annex A:	Specific Questions of the CSA Relating to the Proposed Amendments
Annex B:	Proposed Amendments to National Instrument 81-105 *Mutual Fund Sales Practices*
Annex C:	Proposed Changes to Companion Policy 81-105CP to National Instrument 81-105 *Mutual Fund Sales Practices*
Annex D:	Proposed Amendments to National Instrument 81-101 *Mutual Fund Prospectus Disclosure*
Annex E:	Proposed Amendments to National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*
Annex F:	Regulatory Impact Analysis of the Proposed Reforms to Address Concerns Related to the Payment of Embedded Commissions
Annex G:	Ontario Local Matters

Questions

Please refer your questions to any of the following:

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ANNEX A

SPECIFIC QUESTIONS OF THE CSA RELATING TO THE PROPOSED AMENDMENTS

Definition of "member of the organization"

1. Under the Proposed Amendments, we propose to expand the definition of "member of the organization" in NI 81-105 to capture an "associate", as defined under securities law, of the investment fund manager, of the principal distributor or the portfolio adviser of the mutual fund. Aside from potential future modernization amendments contemplated further below, are there additional immediate changes or updates we should consider making to the definition in connection with the implementation of the Proposed Amendments? For example, would paragraph (e) of the definition still be relevant further to the elimination of the DSC option?

Repeal of section 3.1 of NI 81-105

The proposed repeal of section 3.1 of NI 81-105 would prohibit fund organizations from paying any sales commissions to participating dealers. We expect the prohibition on fund organizations from paying upfront sales commissions to dealers for mutual fund sales made under the DSC option would effectively eliminate the DSC option, including its individual features, such as the redemption fee schedule and the related redemption fee.

2. Would the proposed repeal of section 3.1 of NI 81-105 have the expected effect of eliminating all forms of the DSC option? If not, what other measures should be taken to ensure that all forms of the DSC option are eliminated?

3. Would there be any sales practices and/or compensation arrangements with a redemption fee schedule and redemption fee that could exist despite the repeal of section 3.1 of NI 81-105? If so, are rule changes required to specifically prohibit redemption fees that are charged for purposes other than to deter excessive or short-term trading in funds?

4. We do not expect that the repeal of section 3.1 of NI 81-105 will have any impact on the availability and use of other sales charge options, including the front-end load option as it currently exists today.

   (a) Are there any unintended consequences on the front-end load option with the repeal of section 3.1 that we should consider?

   (b) Are there any other types of sales charge options that will be impacted by repealing section 3.1?

Amendment of section 3.2 of NI 81-105

Proposed subsection 3.2(4) of NI 81-105 would prohibit fund organizations from paying trailing commissions where the participating dealer is not required to make a suitability determination in connection with a client's purchase and ongoing ownership of prospectus qualified mutual fund securities.

5. We expect that fund organizations will make available a trailing commission-free class or series of securities of a mutual fund to participating dealers who do not make suitability determinations. Would fund organizations have any issues with making available a class or series of securities of a mutual fund without trailing commissions to such dealers?

6. Would fund organizations encounter any issues, including any operational challenges, in confirming whether a participating dealer has made a suitability determination, and is thus eligible to be paid a trailing commission in compliance with subsection 3.2(4) of NI 81-105? If so, please explain.

Transition Period

We anticipate that a transition period of 1 year from the date of publication of the final amendments is sufficient time for registrants to operationalize the Proposed Amendments.

7. Are there any transitional issues for fund organizations and participating dealers with implementing the Proposed Amendments within the proposed 1-year transition period? If so, please provide details of the relevant operational, technological, systems, compensation arrangements or other significant business changes required, and the minimum amount of time reasonably required to operationalize those changes and comply with the Proposed Amendments.

8. With the implementation of the Proposed Amendments, would the required changes to the disclosure in the simplified prospectus and fund facts documents within the proposed 1-year transition period necessitate amendments outside of a mutual fund's prospectus renewal period? Would these changes be considered to be material changes under NI 81-106?

9. By the effective date of the Proposed Amendments, the CSA expect that those dealers who do not make suitability determinations in respect of a client will have switched any existing mutual fund holdings of such client to a trailing commission-free class or series of the relevant mutual fund.

   (a) Switching a client from a class or series of securities of a mutual fund that pays a trailing commission to one that does not pay a trailing commission would trigger the delivery requirement for the fund facts document. As a transitional measure, should there be an exemption from the fund facts document delivery requirement for such switches? Such an exemption would mean that the investor would not have the right of withdrawal from the purchase, however, the investor would continue to have a right of action for rescission or for damages if there is a misrepresentation in the prospectus of the mutual fund, including any documents incorporated by reference into the prospectus, such as the fund facts document. In some jurisdictions, investors have a right of rescission with delivery of the trade confirmation for the purchase of mutual fund securities and this right would remain unchanged with such an exemption.

   (b) Are there any other types of exemptions from CSA or SRO rules that we should consider to facilitate switches to trailing commission-free classes or series of mutual funds? If so, please describe.

10. At this time, the CSA is allowing redemption schedules on existing DSC holdings as of the effective date of the Proposed Amendments to run their course until their scheduled expiry, and fund organizations to continue charging redemption fees on those existing holdings that are redeemed prior to the expiry of the applicable redemption schedule. Should the CSA propose amendments to require existing DSC holdings as of the effective date of the Proposed Amendments to be converted to the front-end load option or other sales charge option? If so, are there any transitional issues for fund organizations and participating dealers with converting existing DSC holdings to another sales charge option? What would be an appropriate transition period?

Regulatory arbitrage

11. We understand that the elimination of the DSC option may give rise to the risk of regulatory arbitrage to similar non-securities financial products, such as segregated funds, where such purchase option and its associated dealer compensation are still available. Please provide your thoughts on controls and processes that registrants may consider using, and on specific measures or initiatives that the relevant regulators should undertake, to mitigate this risk.

Modernization of NI 81-105

After the implementation of the Proposed Amendments, the CSA may consider future amendments to modernize NI 81-105, an instrument that has been in place since May 1998. The following questions will help inform the CSA's initiative to modernize NI 81-105.

12. Given that NI 81-105 aims to restrict compensation arrangements that can conflict with registrants' fundamental obligations to their investor clients, and given that the proposed Client Focused Reforms introduce the requirement for registrants to address conflicts of interests, including conflicts arising from third-party compensation, in the best interests of clients or avoid them, should the modernization of NI 81-105 entail a consolidation of its requirements into the registrant conduct obligations of NI 31-103?

13. NI 81-105 currently applies only to the distribution of prospectus qualified mutual funds. In our view, the conflicts arising from sales practices and compensation arrangements that are addressed by the provisions in NI 81-105 are not unique to the distribution of prospectus qualified mutual funds and also arise in the distribution of other investment products, either sold under a prospectus or a prospectus exemption. Are there other types of investment products that are not currently subject to NI 81-105, such as non-redeemable investment funds, certain labour-sponsored investment funds, structured notes and pooled funds that should also be subject to NI 81-105? If not, why should these investment products, their investment fund managers and the dealers that distribute them, remain outside the scope of NI 81-105?

14. We seek feedback on whether we should change the term "trailing commission" to a plain language term that investors would better understand and would better describe what a trailing commission is. If so, what are some suggested terms?

15. The definition of "participating dealer" in NI 81-102 carves out a principal distributor. As a result, principal distributors are not subject to the provisions of NI 81-105 that apply to participating dealers. Should the modernization of NI 81-105 contemplate the inclusion of principal distributors in the application of all the provisions of NI 81-105? Alternatively, are there specific provisions in NI 81-105 that should also apply to principal distributors? Please explain.

ANNEX B

PROPOSED AMENDMENTS TO
NATIONAL INSTRUMENT 81-105 *MUTUAL FUND SALES PRACTICES*

1. National Instrument 81-105 Mutual Fund Sales Practices is amended by this Instrument.

2. Section 1.1 is amended

(a) in paragraph (d) of the definition of "member of the organization***" by adding "***associate or***" before "***affiliate***",***

(b) in the definition of "mutual fund family***", by deleting "***and***" at the end of paragraph (b),***

(c) in the definition of "representative***", by replacing "***dealer.***" with "***dealer***;" at the end of paragraph (c), and***

(d) by adding the following definition:

"trailing commission" means a payment of money that is part of a continuing series of payments related to the ownership of securities of a mutual fund by a client of a participating dealer.**.**

3. Section 3.1 is repealed.

4. Section 3.2 is amended

(a) in subsection (1) by deleting "in money that is based upon the aggregate value of securities of the mutual fund held in accounts of clients of the participating dealer as at a particular time or during a particular period,***",***

(b) by adding "in securities of the mutual fund by the client of the participating dealer***" at the end of paragraph 3.2(1)(a),***

(c) by adding the following paragraph to subsection (1):

(a.1) the amount of the trailing commission is based on the value of securities of the mutual fund held in an account of the client of the participating dealer as at a particular time or during a particular period; ***and***

(d) by adding the following subsection:

(4) Despite subsection (1), no member of the organization of a mutual fund may pay a trailing commission to a participating dealer in connection with securities of the mutual fund held in an account of a client of the participating dealer if the participating dealer is not required by securities legislation or rules of an SRO applicable to the dealer to make a suitability determination in respect of the client in connection with those securities.

5. This Instrument comes into force [*365 days from the date of final publication*].

ANNEX C

PROPOSED CHANGES TO
COMPANION POLICY 81-105CP TO NATIONAL INSTRUMENT 81-105 *MUTUAL FUND SALES PRACTICES*

1. Companion Policy 81-105CP to National Instrument 81-105 Mutual Fund Sales Practices is changed by this Document.

2. Part 4 of the Companion Policy is changed by adding the following sections:

4.1.1 Payment of money – Except for payments specifically permitted under Parts 3 and 5 of the Instrument, section 2.1 of the Instrument prohibits members of the organization of a mutual fund from making payments of money to participating dealers or their representatives in connection with the distribution of securities of the mutual fund.

4.1.2 Means of payment – The Canadian securities regulatory authorities are of the view that the Instrument does not preclude members of the organization of a mutual fund from facilitating the payment by a mutual fund investor to a participating dealer of a sales commission in connection with the purchase of mutual fund securities that is negotiated and agreed to exclusively between those two parties. For example, the participating dealer may remit to the member the gross proceeds of an investor's purchase of mutual fund securities from which the member may then deduct and remit the sales commission to the participating dealer on the investor's behalf pursuant to instructions received from the dealer.

3. Section 5.1 is changed by replacing "Paragraphs 3.1(b) and 3.2(b) of the Instrument require the disclosure of the method of calculation used in determining the amount of sales commissions and***" with "***Paragraph 3.2(1)(b) of the Instrument requires the disclosure of the method of calculation used in determining the amount of***".***

4. Section 5.2 is changed by replacing "Subparagraphs 3.1(c)(iii) and 3.2(1)(d)(iii) of the Instrument prevent***" with "***Subparagraph 3.2(1)(d)(iii) of the Instrument prevents***".***

5. Part 5 of the Companion Policy is changed by adding the following section:

5.4 Restriction on payment and acceptance of trailing commissions where no suitability determination made – Subsection 3.2(4) prohibits members of the organization of a mutual fund from paying trailing commissions to participating dealers who do not make a suitability determination for a client in connection with securities of the mutual fund held in an account of the client. Correspondingly, subsection 2.2(2) of the Instrument permits participating dealers to solicit and accept only those payments that members are permitted to make under Parts 3 and 5. Consequently, participating dealers who are not subject to the obligation to make a suitability determination under National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* or corresponding SRO rules may not solicit or accept trailing commission payments from members of the organization of a mutual fund. Consistent with this restriction, participating dealers and members of the organization of a mutual fund should establish a process under which a participating dealer is required to confirm to the member that it has made a suitability determination for a client as a prerequisite to the receipt of trailing commission payments. In addition, members of the organization of a mutual fund should make available to participating dealers not making a suitability determination in respect of a client, a class or series of securities of a mutual fund that does not pay trailing commissions, which the dealer should offer to the client.

6. These changes become effective [*365 days from the date of final publication*].

ANNEX D

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

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

2. Subsection 6.1(3) is amended by adding "Alberta and***" before "***Ontario***".***

3. Form 81-101F1 Contents of Simplified Prospectus is amended

(a) in Item 8.1 of Part A by replacing "*[specify percentage, as a percentage of ……..]****" in the table opposite "***Sales Charges***" with "***[See Instruction (6)]***",***

(b) by adding the following subsection to the Instructions under Item 8.1 of Part A:

(6) Under "Sales Charges", state that the dealer may, in connection with the investor's purchase of securities of the mutual fund, charge the investor a sales charge or transaction fee which the investor may negotiate with the dealer.,

(c) by repealing Item 8.2 of Part A,

(d) in subsection (2) of the Instructions under Item 9.1 of Part A by deleting the following:

For example, if the manager of the mutual fund pays an up-front sales commission to participating dealers, so state and include the range of commissions paid. If the manager permits participating dealers to retain the sales commissions paid by investors as compensation, so state and include the range of commissions that can be retained***.,***

(e) in subsection (2) of the Instructions under Item 9.2 of Part A by deleting "sales and***", and***

(f) by repealing subsection (3) of the Instructions under Item 9.2 of Part A.

4. Form 81-101F3 Contents of Fund Facts Document is amended

(a) by replacing Item 1.2 of Part II with the following:

1.2 – Sales Charges

(1) Under the sub-heading "Sales charges", provide a brief overview of any sales charges that investors may have to pay when they purchase securities of the mutual fund and how the sales charges work including:

- whether the amount payable is negotiable;
- whether the amount payable is to be paid directly by the investor or deducted from the amount paid at the time of purchase;
- who pays and who receives the amount payable.

(2) If no sales charges apply to purchases of securities of the mutual fund, state that no sales charges apply.***,***

(b) in Item 1.3(6) of Part II by deleting "The rate depends on the sales charge option you choose.***",***

(c) by replacing Item 1.3(7) of Part II with:

(7) If applicable, disclose the range of the rate of the trailing commission., ***and***

(d) in subsection (8) of the Instructions under Item 1.3 of Part II by replacing "*rates of trailing commissions for each sales charge option****" with "****the rate of the trailing commission****".***

5. (1) Subject to subsection (2), this Instrument comes into force [*365 days from the date of final publication*].

(2) Sections 1 and 2 of this Instrument come into force [*90 days from the date of final publication*].

ANNEX E

PROPOSED AMENDMENTS TO
NATIONAL INSTRUMENT 31-103 *REGISTRATION REQUIREMENTS, EXEMPTIONS AND ONGOING REGISTRANT OBLIGATIONS*

1. National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations is amended by this Instrument.

2. Paragraph 8.7(4)(a) is amended by deleting "deferred or contingent sales charge or***".***

3. Subsection 14.2.1(1) is amended by

(a) adding "and***" at the end of paragraph (a), and***

(b) repealing paragraph (b).

4. This Instrument comes into force [*365 days from the date of final publication*].

ANNEX F

REGULATORY IMPACT ANALYSIS OF THE PROPOSED REFORMS TO ADDRESS CONCERNS RELATED TO THE PAYMENT OF EMBEDDED COMMISSIONS

In this section, we provide an overview of the anticipated costs and benefits of the proposed package of reforms to address concerns related to the payment of mutual fund embedded commissions. These reforms include:

1. the Client Focused Reforms to NI 31-103 which were previously released by the CSA on June 21, 2018,[13] and;

2. the Proposed Amendments to NI 81-105 and related consequential amendments as outlined in the CSA Notice and Request for Comment (together with the Client Focused Reforms, the **Proposed Reforms**).

Overall, we anticipate that the Proposed Reforms, if implemented, will be significant in addressing the three key investor protection and market efficiency issues originally highlighted by the CSA in Consultation Paper 81-408 *Consultation on the Option of Discontinuing Embedded Commissions* (**CP 81-408**). In particular, we anticipate that the Proposed Reforms will:

1. significantly reduce the conflicts of interest associated with the payment of mutual fund trailing commissions to registrants;

2. eliminate the conflicts of interest associated with certain mutual fund purchase options and certain mutual fund distribution practices;

3. improve mutual fund investor outcomes through the use of better quality mutual funds;

4. increase engagement between mutual fund investors and the registrants that serve them;

5. increase investors' awareness and control of the fees associated with mutual fund investing.

In CP 81-408, the CSA identified and discussed the following three key investor protection and market efficiency issues arising from the prevailing practice of investment fund managers (**IFMs**) remunerating dealers and their representatives for mutual fund sales through the use of embedded commissions (the **Key Issues**):

- Issue 1: Embedded commissions raise conflicts of interest that misalign the interests of IFMs[14] and dealers and representatives[15] with those of investors, which can impair investor outcomes **(conflicts of interest)**;

- Issue 2: Embedded commissions limit investor awareness, understanding and control of dealer compensation costs **(awareness and control of costs)**; and

- Issue 3**:** Embedded commissions paid generally do not align with the services provided to investors **(cost and service alignment)**.

These Key Issues form the basis for the evaluation of the impacts of the Proposed Reforms.[16]

The Client Focused Reforms to NI 31-103

i) Suitability determination

The proposed amendments to the suitability requirement impact, either directly or indirectly, all three Key Issues. The proposed changes to subsection 13.3 (1) and the introduction of subsection 13.3 (2), if implemented, would directly address Issue 1 – *conflicts of interest*.

Under the Client Focused Reforms, registrants would be required to consider all relevant factors when making a suitability

[13] The regulatory impact analysis of the proposed Client Focused Reforms to NI 31-103 is provided in Annex E - Ontario Local Matters to the CSA Notice and Request for Comment published on June 21, 2018 (see http://www.osc.gov.on.ca/en/SecuritiesLaw_rule_20180621_31-103_client-focused-reforms.htm). Our focus throughout this discussion of the proposed amendments to NI 31-103 is on the anticipated specific impacts of these amendments on embedded commissions.

[14] Embedded commissions can reduce IFMs' focus on fund performance, which can lead to underperformance.

[15] Embedded commissions can incent dealers and representatives to make biased investment recommendations that favour their compensation at the expense of investor outcomes.

[16] We note that *any* rule amendments that touch the mutual fund industry are likely to be impactful as mutual funds are by far the most popular investment held by Canadians that own securities. Mutual funds and ETFs respectively are held by 69% and 19% of Canadians that hold securities. Overall, 74% of Canadians that hold securities own a mutual fund, ETF or both. Source: 2017 CSA Investor Index**,** Innovative Research Group (https://www.securities-administrators.ca/uploadedFiles/Investor_Tools/CSA07%20Investor%20Index%20Deck%20-%20Full%20Report%20-%2020171128.pdf).

determination, including the cost of the security and its impact on client returns, the features and costs of the account type offered, as well as the overall liquidity and concentration of the client's portfolio. Registrants would also be required to put the client's interest first when making a suitability determination. At its core, the requirement to put the client's interest first means that the registrant must consider the client's situation from the client's point of view and recommend the actions that would be best if they were in the client's position. To do this, we would expect that registrants would need to control for real and potential conflicts when assessing suitability.

We anticipate that these actions would also indirectly address Issue 2 – *awareness and control of costs* – as we expect that when the client's interests are put first, the outcome that results would be in line with the outcome that would result if the client were as aware and as in control of costs as the registrant. In addition to this indirect impact, Issue 2 is also directly addressed by the proposed requirement for the registrant to consider costs and account type as part of their suitability determination.

Finally, the anticipated impacts of the proposed amendments to the suitability requirements on Issue 1 and Issue 2 are likely to have knock-on effects on Issue 3 – *cost and service alignment*. As the registrant puts the client's interests first, and as costs and their impacts on client returns are considered and controlled, we anticipate that the costs paid (including the embedded commissions) will be more aligned with the services received.

We anticipate that, if implemented, the proposed amendments to the suitability requirements will result in improved risk-adjusted returns and better investing outcomes over time no matter the types or combination of securities used and no matter whether those securities include embedded commissions or not. We also anticipate that these changes, together with other factors such as competition in the fund industry, may generate downward pressure on overall portfolio costs.

We also anticipate that, if implemented, the proposed changes to the suitability requirements, in terms of their impact on the use of embedded commissions will be most impactful to clients in the MFDA and IIROC channels, where these commissions are most prevalent in terms of size and scope.

We anticipate that the cost of transitioning to an approach to suitability that puts the client's interest first and takes into account new factors such as cost and account type will be significant for most firms in these distribution channels. We anticipate that these costs will likely include the building and implementation of new compliance systems and oversight processes as well as new training for registrants. However, we anticipate that these costs would largely be one-time in nature and once new suitability processes are in place, we do not anticipate that ongoing compliance costs will be materially higher than they are today.

ii) Conflicts of interest

The proposed amendments to the conflicts of interest rules provide a core response to the Key Issues. In particular, the proposed requirements for registered firms and registered individuals to identify and address all conflicts in the best interest of the client and avoid any conflict that cannot be addressed in the best interest of the client (proposed sections 13.4.1, 13.4.2, and 13.4.3 of NI 31-103) directly address Issue 1 – *conflicts of interest*.

In addition to the proposed amendments, there is proposed guidance pertaining to the acceptance by the registrant of third-party compensation, including trailing commissions received from IFMs. The proposed guidance expressly identifies that the acceptance by a registrant of third party compensation is a conflict of interest that must be resolved in the best interest of the client. It also highlights the CSA's expectation that registrants should be able to demonstrate that both product shelf development and client recommendations are based on the quality of the security without influence from any third-party compensation associated with the security, which also addresses Issue 1.

We anticipate that the proposed amendments and accompanying guidance to the conflict of interest rules will help indirectly address Issue 2 – *awareness and control of costs* - in a manner similar to the proposed amendments to the suitability requirements. Registrants would be required to identify and control the conflict of interest posed by the acceptance of compensation from third parties, potentially resulting in product choices that are equivalent to those that would result if the client were well informed of this conflict and able to independently control it.

The anticipated impacts of the proposed amendments to the conflict of interest rules on Issue 1 and Issue 2 are likely to have knock-on effects on Issue 3 – *cost and service alignment*. Registrants that can demonstrate that the payment of embedded commissions did not influence their product shelf development and recommendations to clients, and whose clients are making investment decisions that demonstrate awareness and control of costs, are more likely to have greater alignment between the amount of embedded commissions they receive and the services they provide to clients than may be the case today.

The CSA expect that the proposed amendments to the conflicts of interest rule and related guidance is likely to encourage the following changes in product shelf development and registrant recommendations over time:[17]

1. for firms that offer both third-party and proprietary mutual funds, a more merit-based balance between these two fund types;

2. an increase in the use of lower-cost mutual funds, including passively managed index tracking mutual funds;[18]

3. an increase in the use of mutual funds with better risk-adjusted outperformance potential;

4. an increase in the use of mutual funds that do not pay third-party compensation;

5. an increase in the use of direct pay arrangements with mutual fund investors;

6. a movement towards internal incentive structures that better align with the interests of mutual fund investors.

We anticipate that these changes will have the greatest impact on those dealers in the MFDA and IIROC channels whose use of embedded commissions and reliance on proprietary products is highest.

We anticipate that while there are likely to be one-time costs incurred by registrants in order to introduce new compliance processes and build new compliance systems, these are likely to significantly overlap with those introduced for the new suitability requirements and other proposed requirements of the Client Focused Reforms.[19] We do not anticipate that ongoing compliance costs will be materially higher than they are today.

iii) Publicly available information

The proposed amendment to require the registered firm to make publicly available information that an investor would consider important in deciding whether to become a client, including information on the products and services offered (and any limitations on those offerings), fee schedules, account minimums and account types available (proposed subsection 14.1.2(1) of NI 31-103), is likely to have a significant impact on the market and significant benefits for investors.

We anticipate that the proposed amendment will primarily help address Issue 2 – *awareness and control of costs* and Issue 3 – *cost and service alignment*. Investors will have a better sense of the types and range of costs, including the front-end commissions and ongoing embedded fees, including mutual fund trailing commissions, which they are likely to incur if they decide to become a client of a registrant.

In addition, the public posting of this information would allow analysts, journalists and other interested parties to view and evaluate the information provided by registrants, potentially leading to the production of dealer guides of the sort we already see for online advisors and discount brokerages. It may also incentivize dealer firms to streamline and simplify their fee and commission schedules. We anticipate that these enhancements will increase investor awareness and control of fees, including mutual fund trailing commissions, over time.

The proposed publicly posted document will also highlight not just the cost but also the services that investors can expect from registrants, thus allowing investors to more easily match the services they are seeking with the registrants most likely to provide them, and increasing the likelihood of better alignment between the costs paid, including mutual fund trailing commission costs, and the services received.

The proposed amendment will likely also help to address Issue 1 – *conflicts of interest* – because it requires a registrant to identify any material limitations to the products and services offered (including a focus on proprietary mutual funds), any restrictions on the clients to whom it makes products, services or accounts available, and any third-party compensation it is likely to receive.

[17] The anticipated impacts discussed in this section (particularly impacts 1 through 5) are based on analyses of the risk-adjusted, peer group and excess return performance of fee-based and other non-trailing commission paying mutual fund and ETF series. These impacts resulted no matter which evaluation process was applied (e.g. risk-adjusted comparisons, peer group, excess return comparisons over various time periods). We evaluated the universe of funds using their non-trailing commission paying series versions to ensure that we were evaluating the product before additional costs related to services and advice provided by the dealer were applied. We anticipate that many registrants will follow a similar approach if the proposed changes to the conflict of interest rules and related guidance are implemented.

[18] In Canada, investments in passively managed index mutual funds are significantly lower than in other markets, such as in the United States and the United Kingdom markets. At June 2015, passively managed index mutual funds (excluding ETFs) amounted to only 1.5% of total mutual fund assets under management in Canada – a level that has remained essentially unchanged over the last 10 years.

[19] This includes the proposed introduction of new know-your-product (KYP) requirements.

In terms of the cost to registrants, we do not anticipate that either the transition costs or the ongoing costs of providing this document will be material. In all cases, dealers have an internal document that already includes most of the required information. The transition costs would accordingly be focused on making those internal documents suitable for potential clients and the public generally. Likewise, the ongoing costs of providing this document amount to the cost of updating it in response to a change in business practices and fee schedules and the cost of public provision which in most cases will be posting the document to the firm's website.

Proposed Amendments to National Instrument 81-105

i) Repeal of section 3.1

The proposed repeal of section 3.1 of NI 81-105 is a prohibition of the payment of any upfront sales commission by an IFM to a registrant in connection with the distribution of mutual fund securities.[20]

The intention of this proposed repeal is to prohibit the use of the DSC option and all its variants by prohibiting the upfront sales commission component of the DSC option. We expect that this prohibition will correspondingly discontinue the redemption fee schedule and the redemption fees components of the DSC option, which are designed to help finance the cost of the upfront sales commission. The proposed repeal would also eliminate the role IFMs have traditionally played in setting the range of front-end commissions that registrants may charge to their clients on their mutual fund purchases.

We anticipate that the proposed repeal would help to address all three Key Issues.

For Issue 1 – *conflicts of interest* – The conflict of interest inherent to the DSC option gives rise to a number of specific problematic practices and investor harms. Compliance sweeps and enforcement files reveal that, among other things, the higher upfront and third-party nature of the dealer compensation on the DSC option encourages poor suitability assessments and increases the risk of mis-selling.[21] We anticipate that the proposed repeal, if implemented, will eliminate the conflict of interest associated with the DSC option and encourage suitability assessments that meet investors' needs and objectives. It will also reduce the promotion of unsuitable leverage strategies by registrants, as well as investor complaints, compliance deficiencies and enforcement actions arising from the use of the DSC option.[22]

We anticipate that the proposed repeal will also change how certain dealer firms recruit and train new staff. Currently, some firms rely on the upfront sales commissions received on sales made under the DSC option to fund the on-boarding and turnover costs of staff recruitment. Thus, clients of these firms who hold mutual funds under the DSC option pay for or assume some part of the firm's risk in taking on new staff, through the redemption fee schedule and the applicable redemption fees. If the proposed repeal is implemented, registered firms will have to internalize these costs and risks directly.

The proposed repeal is also anticipated to directly address Issue 2 – *awareness and control of costs* – as it will eliminate the purchase option that has tended to be the most difficult for investors to understand and to have the most negative impact on subsequent investor behaviour.[23] More specifically, the proposed repeal will eliminate the penalizing "lock-in" effect of the redemption fee schedule and the applicable redemption fees, and no longer deter investors from redeeming an investment or changing their asset allocation in the face of poor fund performance, unforeseen liquidity events, or a change in their financial circumstances.

Were the DSC option and all its variants to be discontinued today, we would expect to see a 30% decline in the number of FundSERV codes for mutual funds as well as a 25% to 40% reduction in the length of a Fund Facts document for the typical retail trailing commission-paying mutual fund series.[24] We expect this streamlining of the Fund Facts document would reduce the complexity of the disclosure pertaining to sales charge options and related fees, and would help improve investor awareness, understanding and control of dealer compensation costs.

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20 We note here that NI 81-105 only applies to the sales practices associated with the distribution of securities of a "mutual fund" offered under a prospectus. The sales practices associated with other types of investment funds, offered with and without a prospectus, are not addressed by this rule.

21 A 2015 targeted sweep of MFDA Members' DSC option trading activity showed that, among other things, clients were sold funds with DSC option redemption fee schedules that were longer than their investment time horizon, and showed that clients over the age of 70 were sold funds under the DSC option. See MFDA Bulletin #0670-C, 2015 *DSC Sweep Report*, December 18, 2015. See also MFDA Bulletin #0705-C, *Review of Compensation, Incentives and Conflicts of Interest*, December 15, 2016, in which the MFDA identifies compensation and incentive practices that increased the risk of mis-selling under the DSC option.

22 For further discussion of these issues, please see CSA Staff Notice 81-330 *Status Report on Consultation on Embedded Commissions and Next Steps* and CSA Consultation Paper 81-408 *Consultation on the Option of Discontinuing Embedded Commissions.*

23 Empirical mutual fund fee research commissioned by the CSA demonstrates the effect the redemption fee penalty may have on an investor, as it indicates that investments made under the DSC option show the lowest sensitivity to past performance out of all available purchase options analyzed. See Douglas Cumming, Sofia Johan and Yelin Zhang, "A Dissection of Mutual Fund Fees and Performance", Feb. 8, 2016, http://www.osc.gov.on.ca/documents/en/Securities-Category8/rp_20160209_81-407_dissection-mutual-fund-fees.pdf.

24 Based on OSC review of FundSERV codes and Fund Facts documents.

In addition, overall fund costs are likely to fall modestly with the discontinuation of the DSC option as the higher costs associated with that option will cease to be incurred by the mutual fund and passed on to investors.[25]

Finally, we anticipate that the proposed repeal will directly address Issue 3 – *cost and service alignment* – as the upfront sales commissions dealers receive today for sales made under the DSC option may not always align with the services provided to investors. We expect that the discontinuation of the DSC option will encourage dealers and their representatives to adopt more transparent compensation arrangements which will require them to better demonstrate and justify their value proposition, and thus improve the alignment between the services provided and their cost to investors.

As mutual fund assets held under the DSC option make up a significant portion of Canadian mutual fund assets under management,[26] we expect the discontinuation of that option will have an impact on the fund industry. We anticipate that the impact will be primarily felt by IFMs and those registrants in the MFDA and IIROC channels that make significant use of the DSC option.[27] In particular, non-deposit taker dealers,[28] who have historically been much more reliant on the DSC option, will likely be required to ask their clients for a front-end sales commission or move to a fee-based or other direct pay arrangement in order to maintain current revenues.[29] For certain dealers, shifting to the use of the front-end sales charge option or other form of direct pay arrangement to maintain their current revenue may necessitate certain operational, systems, compensation arrangements or other business changes. We anticipate these changes may be more significant for small to medium-sized independent mutual fund dealers (not affiliated with an IFM) that are more reliant on the DSC option and that have less scale than integrated financial service providers.

We accordingly anticipate that the proposed repeal of section 3.1 may result in one-time and ongoing costs for certain dealers, in particular those that opt to switch to alternative compensation arrangements, such as fee-based compensation. Finally, we anticipate that ongoing compliance costs are likely to fall further to the discontinuation of the DSC option as this purchase option generates compliance costs to supervise and assess the suitability of the use of the DSC option and to manage the conflict of interest inherent in this option.

For IFMs, we also anticipate minimal one-time and ongoing costs stemming from the proposed repeal. IFMs will need to adjust their fund disclosure documents to remove references to DSC options and front-end commission rates. IFMs will also be able to simplify their information technology systems and reduce their transfer agent expenses over time as the DSC option and its variants disappear from the market.

The elimination of the DSC option may also give rise to the risk of regulatory arbitrage to similar non-securities financial products where such purchase option and its associated dealer compensation are still available.

ii) Amendment of section 3.2

The proposed amendment to section 3.2 of NI 81-105 to prohibit the payment of trailing commissions to, and the solicitation and acceptance of trailing commissions by, dealers who do not make a suitability determination is intended to primarily address Issue 3 – *cost and service alignment* – particularly for do-it-yourself (**DIY**) mutual fund investors, but also indirectly for mutual fund investors in the full service channels as well.

For DIY mutual fund investors, we anticipate that the proposed amendment will lead to fees, paid directly, that better align with the more limited services provided by registrants that are not providing suitability determinations. Likewise, we anticipate that the management fees of those fund series that are distributed in the online/discount brokerage channel are likely to fall by the total

[25] See CP 81-408 discussion at page 120. For IFMs that segregate DSC and front-end purchase options into different fund series, the MER cost difference is on average between 20 and 30 bps depending on the asset class of the fund.

[26] As at the end of December 2016, a total of 18% of Canadian mutual fund assets was held under the traditional DSC option (13%) and low-load option (5%). While the market share of mutual fund assets held under the DSC option has steadily declined over the last 10 years, assets held in these options increased by 64% or $222 billion over the period. Assets held in the traditional DSC option decreased by 16% ($32 billion) while assets in low-load purchase options increased by 332% ($47 billion) between 2006 and 2016. There was, at least until 2015, a gradual shift in assets from the traditional DSC model to the low-load model (See Figures 6 and 7 on pages 45 and 46 of CP 81-408 for further information on mutual fund assets and mutual fund market share by purchase option). We note that several IFMs have recently discontinued, or have announced that they will discontinue, the traditional DSC option.

[27] Across registrants in these two distribution channels and across IFMs, reliance on the DSC option varies widely. While the use of the DSC option and its variants has been falling in terms of market share, non-deposit taker dealer firms and non-deposit-taker IFMs have a much higher reliance on the DSC option. At the end of 2016, 31% of non-deposit taker IFM assets were held under the DSC option compared to 2% for deposit taker IFMs (Source: Strategic Insight). In the MFDA channel, 48% of mutual fund assets under administration by non-deposit taker dealers were held under the DSC option, whereas 2% of mutual fund assets under administration by deposit taker dealers were held under the DSC option (Source: Strategic Insight and MFDA).

[28] These include dealers belonging to an insurance company-owned IFM or other IFM, as well as dealers with no affiliation to an IFM (independent dealers).

[29] For a typical equity fund earning a 5% return per annum, a registrant would require a 3.1% front-end commission with a 1% ongoing trailing commission or an annual fee of 1.8% to generate the same revenue as that obtained over the life of a mutual fund investment under the traditional DSC option with a six year redemption fee schedule.

amount of trailing commissions embedded today.[30] We note that these investors are already more accustomed to paying fees directly, particularly if they are investing in a mix of mutual funds and other securities where commissions are more commonly charged, such as most ETFs.[31]

We anticipate that the proposed amendment may have an indirect effect on full-service dealers servicing mutual fund investors as it may increase their incentive to demonstrate their value to these clients in order to discourage a potential move of their accounts to the online/discount brokerage channel.

We anticipate that the use of direct forms of payment in the online/discount brokerage channel will also help increase investors' awareness, understanding and control of fees associated with mutual fund investing in this channel, thus helping to address Issue 2 – *awareness and control of costs*.

Finally, we anticipate that the proposed amendment would also address Issue 1 – *conflicts of interest* by removing a longstanding conflict between IFMs (who have been reluctant to offer non trailing commission-paying fund series in this channel), online/discount brokerages (who have been satisfied to accept full trailing commission-paying funds), and DIY investors.

In terms of the impact to the industry, we anticipate significant one-time costs if the proposed amendment is implemented. Online/discount brokerages will need to adjust their business models to bring mutual fund sales in-line with their commission practices for every other security currently offered on their platforms. Any cross-subsidization stemming from the revenues generated by mutual fund trailing commissions that may exist today (e.g. the use of mutual fund revenues to lower the commissions charged on other securities) would also be expected to be curtailed if the proposed amendment is implemented. Ongoing costs are likely to be less significant once the changes have been implemented.

This change may also require mutual fund investors in the online/discount brokerage channel to consider, as they would today for stock and ETF trades, such factors as the timing and investment amount size in order to minimize costs and increase likely portfolio returns.[32]

And finally, this change will require IFMs to decide what mutual fund series they want to make available in the online/discount brokerage channel. We note that one option would be for IFMs to make available those non trailing commission-paying mutual fund series that already exist and that they already make available today in the fee-based channel.

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30 We note that IFMs may choose to allow online/discount brokerage clients to access their current fee-based fund series ("series F") after the proposed amendments are implemented. If so, the fund management costs would likely drop by the amount of trailing commissions embedded in the fund series distributed in the online/discount brokerage channel today. This is because the management fees of fee-based fund series are often less than net of trailing commission management fees of the fund series typically distributed in the online/discount brokerage and full service channels today. The IFM may also opt to create a new series instead (for example, by removing the embedded trailing commissions and lowering the management fees on existing discount brokerage focused fund series ("series D") sold in the online/discount brokerage channel today). If so, we would expect the management fee costs to decline by exactly the amount of the embedded trailing commission.

31 While the online/discount brokerage channel is typically depicted as an online only channel, there are still many trades, including mutual fund trades that occur over the phone with a representative. The commission on these trades can be as high as $65 per trade although some discount brokerages do not charge commissions on these trades. Over the 12 months ending 2017, a total of 4.1 million online/discount brokerage trades of all securities were made over the phone through a representative (Source: Strategic Insight).

32 We note that some mutual fund investors in the online/discount brokerage channel have mutual fund investments under the DSC option which were transferred in from a full-service brokerage. As a result, these mutual fund investors do not trade frequently as they are often waiting for their redemption fee schedules to expire before making changes to their investments.

ANNEX G

LOCAL MATTERS

ONTARIO RULE-MAKING AUTHORITY

AUTHORITY FOR THE PROPOSED AMENDMENTS

The following provisions of the *Securities Act* (Ontario) (the **Act**) provide the Commission with authority to adopt the Proposed Amendments:

Subparagraph 143(1)2(ii) of the Act authorizes the Commission to make rules prescribing requirements for registrants including requirements that are advisable for the prevention or regulation of conflicts of interest;

Paragraph 143(1)13 of the Act authorizes the Commission to make rules regulating trading or advising in securities to prevent trading or advising that is, among other things, unfairly detrimental to investors;

Paragraph 143(1)18 of the Act authorizes the Commission to make rules designating activities, including the use of documents or advertising, in which registrants or issuers are permitted to engage or are prohibited from engaging in connection with distributions; and

Paragraph 143(1)31 of the Act authorizes the Commission to make rules regulating investment funds and the distribution and trading of the securities of investment funds, including

- making rules varying Part XV (Prospectuses – Distribution) or Part XVIII (Continuous Disclosure) by prescribing additional disclosure requirements in respect of investment funds and requiring or permitting the use of particular forms or types of additional offering or other documents in connection with the funds (***subparagraph (i)***);
- making rules respecting sales charges imposed by a distribution company or contractual plan service company under a contractual plan on purchasers of shares or units of an investment fund, and commissions or sales incentives to be paid to registrants in connection with the securities of an investment fund (***subparagraph (ix)***); and
- making rules prescribing procedures applicable to investment funds, registrants and any other person or company in respect of sales and redemptions of investment fund securities (***subparagraph (xi)***).

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:
AGF American Growth Class
AGF Canadian Growth Equity Fund (formerly, AGF Canadian Stock Fund)
AGF Canadian Large Cap Dividend Class
AGF Canadian Large Cap Dividend Fund
AGF Elements Balanced Portfolio
AGF Elements Balanced Portfolio Class
AGF Elements Conservative Portfolio Class
AGF Elements Growth Portfolio
AGF Elements Growth Portfolio Class
AGF Elements Yield Portfolio
AGF Elements Yield Portfolio Class
AGF Equity Income Focus Fund
AGF European Equity Class
AGF Floating Rate Income Fund
AGF Global Convertible Bond Fund
AGF Global Dividend Class
AGF Global Dividend Fund
AGF Global Equity Class
AGF Global Strategic Balanced Fund (formerly, AGF Global Balanced Fund)
AGF Income Focus Fund
AGF Strategic Income Fund (formerly, AGF Canadian Asset Allocation Fund)
AGF Total Return Bond Class
AGF Total Return Bond Fund
AGFiQ Dividend Income Fund (formerly, AGF Dividend Income Fund)
Principal Regulator – Ontario
Type and Date:
Amendment #2 to Final Simplified Prospectus dated September 5, 2018
Received on September 5, 2018
Offering Price and Description:
–
Underwriter(s) or Distributor(s):
AGF Funds Inc.
Promoter(s):
N/A
Project #2740888

Issuer Name:
BetaPro S&P/TSX 60™ Daily Inverse ETF
BetaPro S&P 500® Daily Inverse ETF
Principal Regulator – Ontario
Type and Date:
Amendment #1 to Final Long Form Prospectus dated August 30, 2018
Received on September 5, 2018
Offering Price and Description:
–
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
Horizons ETFs Management (Canada) Inc.
Project #2785476

Issuer Name:
FDP US Equity Portfolio
Principal Regulator – Quebec
Type and Date:
Amendment #2 to Final Simplified Prospectus dated September 5, 2018
Received on September 5, 2018
Offering Price and Description:
–
Underwriter(s) or Distributor(s):
Professionals' Financial – Mutual Funds Inc.
Promoter(s):
Professionals' Financial – Mutual Funds Inc.
Project #2748571

Issuer Name:
Horizons Absolute Return Global Currency ETF
Principal Regulator – Ontario
Type and Date:
Amendment #1 to Final Long Form Prospectus dated August 30, 2018
Received on September 5, 2018
Offering Price and Description:
–
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
N/A
Project #2757539

Issuer Name:
Horizons S&P/TSX 60 Equal Weight Index ETF
Horizons Active US Dividend ETF
Horizons Active Global Dividend ETF
Horizons Active Intl Developed Markets Equity ETF
Horizons Managed Global Opportunities ETF
Horizons Global Risk Parity ETF
Principal Regulator – Ontario
Type and Date:
Amendment #1 to Final Long Form Prospectus dated August 30, 2018
Received on September 5, 2018
Offering Price and Description:
–
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
Horizons ETFs Management (Canada) Inc.
Project #2718407

Issuer Name:
Horizons Canadian Midstream Oil & Gas Index ETF
Principal Regulator – Ontario
Type and Date:
Amendment #3 to Final Long Form Prospectus dated August 30, 2018
Received on September 5, 2018
Offering Price and Description:
–
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
Horizons ETFs Management (Canada) Inc.
Project #2732348

Issuer Name:
Horizons China High Dividend Yield Index ETF
Principal Regulator – Ontario
Type and Date:
Amendment #1 to Final Long Form Prospectus dated August 30, 2018
Received on September 5, 2018
Offering Price and Description:
–
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
N/A
Project #2708632

Issuer Name:
Horizons Enhanced Income US Equity (USD) ETF
Principal Regulator – Ontario
Type and Date:
Amendment #2 to Final Long Form Prospectus dated August 30, 2018
Received on September 5, 2018
Offering Price and Description:
–
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
N/A
Project #2739811

Issuer Name:
Phillips, Hager & North LifeTime 2055 Fund
Principal Regulator – Ontario
Type and Date:
Preliminary Simplified Prospectus dated September 7, 2018
NP 11-202 Preliminary Receipt dated September 10, 2018
Offering Price and Description:
Series D, Series F and Series O units
Underwriter(s) or Distributor(s):
RBC Global Asset Management Inc.
Promoter(s):
N/A
Project #2820667

Issuer Name:
Picton Mahoney Fortified Active Extension Alternative Fund
Picton Mahoney Fortified Market Neutral Alternative Fund
Picton Mahoney Fortified Multi-Strategy Alternative Fund
Principal Regulator – Ontario
Type and Date:
Preliminary Simplified Prospectus dated September 7, 2018
NP 11-202 Preliminary Receipt dated September 10, 2018
Offering Price and Description:
Class A, Class F and Class I Units
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
N/A
Project #2820761

Issuer Name:
Social Housing Canadian Bond Fund
Social Housing Canadian Equity Fund
Social Housing Canadian Short-Term Bond Fund
Type and Date:
Amendment #1 to Final Simplified Prospectus dated September 6, 2018
Received on September 6, 2018
Offering Price and Description:
–
Underwriter(s) or Distributor(s):
Philips, Hager & North Investment Funds Ltd.
Promoter(s):
N/A
Project #2765448

Issuer Name:
Social Housing Canadian Bond Fund
Social Housing Canadian Equity Fund
Social Housing Canadian Short-Term Bond Fund
Principal Regulator – Ontario
Type and Date:
Amendment #1 to Final Simplified Prospectus dated September 6, 2018
Received on September 6, 2018
Offering Price and Description:
–
Underwriter(s) or Distributor(s):
Philips, Hager & North Investment Funds Ltd.
Promoter(s):
N/A
Project #2765486

Issuer Name:
Sun Life Tactical Balanced ETF Portfolio
Sun Life Tactical Conservative ETF Portfolio
Sun Life Tactical Equity ETF Portfolio
Sun Life Tactical Fixed Income ETF Portfolio
Sun Life Tactical Growth ETF Portfolio
Principal Regulator – Ontario
Type and Date:
Preliminary Simplified Prospectus dated September 7, 2018
NP 11-202 Preliminary Receipt dated September 7, 2018
Offering Price and Description:
Series A, T5, F, F5 and I securities
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
Sun Life Global Investments (Canada) Inc.
Project #2820579

Issuer Name:
Vision Alternative Income Fund
Type and Date:
Preliminary Simplified Prospectus dated September 7, 2018
(Preliminary) Receipted on September 10, 2018
Offering Price and Description:
Class A, class F and Class I Units
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
Vision Capital Corporation
Project #2820791

Issuer Name:
BetaPro S&P/TSX 60™ Daily Inverse ETF
BetaPro S&P 500® Daily Inverse ETF
Principal Regulator – Ontario
Type and Date:
Amendment #1 to Final Long Form Prospectus dated August 30, 2018
NP 11-202 Receipt dated September 10, 2018
Offering Price and Description:
–
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
Horizons ETFs Management (Canada) Inc.
Project #2785476

Issuer Name:
Fidelity Canadian High Dividend Index ETF Fund
Fidelity International High Dividend Index ETF Fund
Fidelity Tactical Global Dividend ETF Fund
Fidelity U.S. Dividend for Rising Rates Currency Neutral Index ETF Fund
Fidelity U.S. Dividend for Rising Rates Index ETF Fund
Fidelity U.S. High Dividend Currency Neutral Index ETF Fund
Fidelity U.S. High Dividend Index ETF Fund
Principal Regulator – Ontario
Type and Date:
Final Simplified Prospectus dated August 31, 2018
NP 11-202 Receipt dated September 4, 2018
Offering Price and Description:
Series B, F and O Units
Underwriter(s) or Distributor(s):
Fidelity Investments Canada ULC
Promoter(s):
Fidelity investments Canada ULC
Project #2798799

Issuer Name:
Fidelity Canadian High Dividend Index ETF
Fidelity International High Dividend Index ETF
Fidelity U.S. Dividend for Rising Rates Currency Neutral Index ETF
Fidelity U.S. Dividend for Rising Rates Index ETF
Fidelity U.S. High Dividend Currency Neutral Index ETF
Fidelity U.S. High Dividend Index ETF
Principal Regulator – Ontario
Type and Date:
Final Long Form Prospectus dated August 31, 2018
NP 11-202 Receipt dated September 4, 2018
Offering Price and Description:
Units
Underwriter(s) or Distributor(s):
Fidelity Investments Canada ULC
Promoter(s):
Fidelity Investments Canada ULC
Project #2797431

Issuer Name:
Global Equity Allocation Pool
International Equity Alpha Pool
US Equity Alpha Pool
Principal Regulator – Ontario
Type and Date:
Final Simplified Prospectus dated September 5, 2018
NP 11-202 Receipt dated September 6, 2018
Offering Price and Description:
Class A, E, E3, E4, E5, ET8, E3T8, E4T8, E5T8, F, F3, F4, F5, FT8, F3T8, F4T8, F5T8, I, IT8, OF, and W units @ net asset value
Underwriter(s) or Distributor(s):
Assante Capital Management Ltd.
Promoter(s):
CI Investments Inc.
Project #2787126

Issuer Name:
Horizons Absolute Return Global Currency ETF
Principal Regulator – Ontario
Type and Date:
Amendment #1 to Final Long Form Prospectus dated August 30, 2018
NP 11-202 Receipt dated September 10, 2018
Offering Price and Description:
–
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
N/A
Project #2757539

Issuer Name:
Horizons Canadian Midstream Oil & Gas Index ETF
Principal Regulator – Ontario
Type and Date:
Amendment #3 to Final Long Form Prospectus dated August 30, 2018
NP 11-202 Receipt dated September 10, 2018
Offering Price and Description:
–
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
Horizons ETFs Management (Canada) Inc.
Project #2732348

Issuer Name:
Horizons China High Dividend Yield Index ETF
Principal Regulator – Ontario
Type and Date:
Amendment #1 dated August 30, 2018 to Final Long Form Prospectus dated January 18, 2018
NP 11-202 Receipt dated September 10, 2018
Offering Price and Description:
–
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
N/A
Project #2708632

NON-INVESTMENT FUNDS

Issuer Name:
Algonquin Power & Utilities Corp.
Principal Regulator – Ontario
Type and Date:
Preliminary Shelf Prospectus dated September 7, 2018
NP 11-202 Preliminary Receipt dated September 10, 2018
Offering Price and Description:
US$3,000,000,000.00
Debt Securities (unsecured)
Subscription Receipts
Preferred Shares
Common Shares
Warrants
Units
Underwriter(s) or Distributor(s):
–
Promoter(s):
–
Project #2820751

Issuer Name:
Gran Tierra Energy Inc.
Principal Regulator – Alberta (ASC)
Type and Date:
Preliminary Prospectus – MJDS dated September 6, 2018
NP 11-202 Preliminary Receipt dated September 6, 2018
Offering Price and Description:
Common Stock
Preferred Stock
Debt Securities
Warrants
Subscription Receipts
Underwriter(s) or Distributor(s):
–
Promoter(s):
–
Project #2820314

Issuer Name:
Greenstone Capital Corp.
Principal Regulator – Alberta (ASC)
Type and Date:
Preliminary CPC Prospectus (TSX-V) dated September 5, 2018
NP 11-202 Preliminary Receipt dated September 5, 2018
Offering Price and Description:
Minimum Offering: $300,000.00 or 3,000,000 Common Shares
Maximum Offering: $500,000.00 or 5,000,000 Common Shares
Price: $0.10 per Common Share
Underwriter(s) or Distributor(s):
Chippingham Financial Group Limited
Promoter(s):
Mohammad Fazil
Project #2820013

Issuer Name:
Monterey Minerals Inc. (formerly 1001886 B.C. Ltd.)
Principal Regulator – British Columbia
Type and Date:
Preliminary Long Form Prospectus dated September 7, 2018
NP 11-202 Preliminary Receipt dated September 7, 2018
Offering Price and Description:
No securities are being offered pursuant to this Prospectus
Underwriter(s) or Distributor(s):
–
Promoter(s):
–
Project #2820562

Issuer Name:
Profound Medical Corp. (formerly Mira IV Acquisition Corp.)
Principal Regulator – Ontario
Type and Date:
Preliminary Shelf Prospectus dated September 6, 2018
NP 11-202 Preliminary Receipt dated September 6, 2018
Offering Price and Description:
Common Shares
Warrants
Units
$20,000,000.00
Underwriter(s) or Distributor(s):
–
Promoter(s):
–
Project #2820315

Issuer Name:
Stelco Holdings Inc.
Principal Regulator – Ontario
Type and Date:
Preliminary Short Form Prospectus dated September 4, 2018
NP 11-202 Preliminary Receipt dated September 4, 2018
Offering Price and Description:
$*
8,000,000 Common Shares
Offering Price: $* per Common Share
Underwriter(s) or Distributor(s):
Goldman Sachs Canada Inc.
BMO Nesbitt Burns Inc.
Credit Suisse Securities (Canada), Inc.
J.P. Morgan Securities Canada Inc.
Morgan Stanley Canada Limited
National Bank Financial Inc.
Promoter(s):
–
Project #2819630

Issuer Name:
Zekelman Industries, Inc.
Principal Regulator – Ontario
Type and Date:
Amendment dated September 7, 2018 to Preliminary Long Form Prospectus dated August 17, 2018
NP 11-202 Preliminary Receipt dated September 7, 2018
Offering Price and Description:
US$*
41,750,000 Shares of Class A Subordinate Voting Stock
Price: US$* per share of Class A subordinate voting stock
Underwriter(s) or Distributor(s):
Goldman Sachs Canada Inc.
Merrill Lynch Canada Inc.
BMO Nesbitt Burns Inc.
Credit Suisse Securities (Canada) Inc.
GMP Securities L.P.
Promoter(s):
–
Project #2808302

Issuer Name:
BRP Inc.
Principal Regulator – Quebec
Type and Date:
Final Shelf Prospectus dated September 4, 2018
NP 11-202 Receipt dated September 4, 2018
Offering Price and Description:
$2,500,000,000
Subordinate Voting Shares
Preferred Shares
Debt Securities
Warrants
Subscription Receipts
Units
Underwriter(s) or Distributor(s):
–
Promoter(s):
–
Project #2811105

Issuer Name:
Crystal Bridge Enterprises Inc.
Principal Regulator – British Columbia
Type and Date:
Final CPC Prospectus (TSX-V) dated August 31, 2018
NP 11-202 Receipt dated September 5, 2018
Offering Price and Description:
Offering: $200,000.00
2,000,000 Common Shares
Price: $0.10 per Common Share
Underwriter(s) or Distributor(s):
Haywood Securities Inc.
Promoter(s):
Rajeev 'Rob' Bakshi
Project #2786842

Issuer Name:
Khiron Life Sciences Corp.
Principal Regulator – British Columbia
Type and Date:
Final Short Form Prospectus dated September 6, 2018
NP 11-202 Receipt dated September 6, 2018
Offering Price and Description:
$11,250,000.00 – 12,500,000 COMMON SHARES
Underwriter(s) or Distributor(s):
Canaccord Genuity Corp.
GMP Securities L.P.
Sprott Private Wealth LP
Cormark Securities Inc.
Promoter(s):
–
Project #2808805

Issuer Name:
Navigator Acquisition Corp.
Principal Regulator – British Columbia
Type and Date:
Final CPC Prospectus (TSX-V) dated August 31, 2018
NP 11-202 Receipt dated September 5, 2018
Offering Price and Description:
Offering: $500,000 or 5,000,000 Common Shares
Price: $0.10 per Common Share
Underwriter(s) or Distributor(s):
Canaccord Genuity Corp.
Promoter(s):
–
Project #2789290

Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
Name Change	From: ETF Capital Management To: Quintessence Wealth	Exempt Market Dealer, Investment Fund Manager, Portfolio Manager	September 5, 2018
New Registration	Services Conseils Optimista Inc. / Optimista Consulting Services Inc.	Exempt Market Dealer	September 7, 2018
New Registration	ST&T Capital Management Ltd.	Exempt Market Dealer, Investment Fund Manager, Portfolio Manager	September 7, 2018

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Chapter 13

SROs, Marketplaces, Clearing Agencies and Trade Repositories

13.1 SROs

13.1.1 IIROC – Proposed Amendments to Dealer Member Rules to Permit Partial Swap Strategies – Notice of Withdrawal

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA
(IIROC)

PROPOSED AMENDMENTS TO DEALER MEMBER RULES TO PERMIT PARTIAL SWAP STRATEGIES

NOTICE OF WITHDRAWAL

IIROC is publishing a Notice withdrawing proposed amendments to Dealer Member Rules to permit partial swap strategies. IIROC initially published for publish comment a proposal on February 13, 2009 relating to Dealer Member Rules 100.4F(a) *Interest Rate Swap versus Interest Rate Swap Offset* and 100.4F(d) *Total Performance Swap versus Total Performance Swap Offset*. On February 17, 2012, IIROC republished the initial proposal by including proposed amendments to Dealer Member Rules 100.2(j) *Interest Rate Swaps* and 100.2(k) *Total Performance Swaps* regarding unhedged swap positions.

In light of comments received raising concerns about alignment with international developments for regulation of over-the-counter derivatives, the passage of time and recent developments in OTC derivatives regulation both domestically and internationally, IIROC has withdrawn the proposed amendments while they continue to review the issues raised and expect to publish a new proposal in the future.

A copy of the IIROC Notice of Withdrawal can be found at http://www.osc.gov.on.ca.

13.2 Marketplaces

13.2.1 Nasdaq CXC Limited – Notice of Proposed Fee Change and Request for Comments

NASDAQ CXC LIMITED

NOTICE OF PROPOSED FEE CHANGE AND REQUEST FOR COMMENT

Nasdaq CXC Limited (Nasdaq Canada) has announced plans to implement the Fee Change described below on November 1, 2018 subject to regulatory approval. Nasdaq Canada is publishing this Notice of Proposed Changes in accordance with the requirements set out in the Process for the Review and Approval of Rules and the Information Contained in Form 21-101F1 and the Exhibits Thereto (Exchange Protocol). Pursuant to the Exchange Protocol, market participants are invited to provide the Commission with comment on the proposed changes.

Comment on the proposed changes should be in writing and submitted by October 8, 2018 to:

Market Regulation Branch
Ontario Securities Commission
20 Queen Street West, 22nd Floor
Toronto, ON M5H 3S8
Fax 416 595 8940
Email: marketregulation@osc.gov.on.ca

And to

Matt Thompson
Chief Compliance Officer
Nasdaq CXC Limited
25 York St., Suite 900
Toronto, ON M5J 2V5
Email: matthew.thompson@nasdaq.com

Comments received will be made public on the OSC website. Upon completion of the Review by OSC staff, and in the absence of any regulatory concerns, a notice will be published to confirm the completion of Commission staff's review and to outline the intended implementation date of the changes.

NASDAQ CXC LIMITED

NOTICE OF FEE CHANGE

Nasdaq Canada has announced plans to introduce the following change on November 1st, 2018 subject to regulatory approval. Nasdaq Canada is publishing this Notice of Proposed Changes in accordance with the requirements set out in the Exchange Protocol.

Summary of Proposed Changes

Nasdaq Canada is proposing to introduce a Trading Incentive Program for the CXC Trading Book (CXC TIP, or the Program). The CXC TIP is comprised of two independent components; the NBBO Setting Incentive and the Liquidity Adding Incentive. Only orders and trades (Trading Activity) on the CXC Trading Book are eligible for consideration for the CXC TIP.

CXC TIP Trading Activity

For each component of the CXC TIP, Trading Activity will be measured at the Trader ID level. Trading activity from all Nasdaq Canada Members is eligible for consideration in the Program automatically. To ensure that the benefit of the Program is provided to Members based on their Trading Activity and not the Trading Activity of their DEA clients, Trading Activity from each Nasdaq Canada Member will be credited for the purposes of the Program separately between the Trading Activity of the Member and the Trading Activity of each of the Member's DEA clients (each a Trader ID Group) where applicable. This is to ensure that the same opportunity to qualify for the economic incentives provided by the Program is made available to Members whether or not they have DEA clients. Trading Activity generated from a DEA client is not permitted to be combined with the Trading Activity of the Member or combined with any other DEA Client of the Member for the purposes of the Program.

NBBO Setting Incentive

The NBBO Setting Incentive will provide participants with the opportunity to receive an additional $0.0001 rebate for qualifying trades. A passive visible order (including an Iceberg or X-Berg order) that is entered on CXC which improves the NBBO (NBBO Setting Order) and results in a trade (NBBO Setting Trade) will be eligible for consideration to receive an additional $0.0001 rebate for the NBBO Setting Trade (NBBO Incentive).

In order for NBBO Setting Trades to qualify for the NBBO Incentive the total volume of a Trader ID Group's NBBO Setting Trades must meet a minimum threshold. The NBBO Incentive will be applied to all NBBO Setting Trades from a Trader ID Group that contributes at least 20% of the total volume of all NBBO Setting Trades on CXC for all listed securities available to trade on CXC on a monthly basis.

CXC applies a fee for liquidity provision orders for securities with prices below one dollar. For Trader ID Groups that qualify for the NBBO Incentive a rebate will not be provided for securities with prices below one dollar. Instead the liquidity provision fee will be removed.

Liquidity Adding Incentive

The Liquidity Adding Incentive will provide participants with the opportunity to receive an additional $0.0001 rebate for qualifying trades. Each passive lit order posted on CXC for a TSX or TSX-V listed security that results in a trade (Eligible Trade) is eligible for consideration to receive an additional $0.0001 rebate (Liquidity Adding Incentive).

In order for Eligible Trades to qualify for the Liquidity Adding Incentive, the total volume of a Trader ID Group's Eligible Trades must meet a minimum threshold. The Liquidity Adding Incentive will be applied on a monthly basis to all Eligible Trades from a Trader ID Group if the total volume of Eligible Trades for that Trading ID Group meets a minimum percentage of total consolidated volume (TCV) per listing exchange. For TSX listed securities, the total volume of Eligible Trades for a Trader ID Group must meet at least 2.00% of TSX listed TCV. For TSX-V listed securities, the total volume of Eligible Trades for a Trader ID Group must meet at least 0.50% of TSX-V listed TCV.

CXC applies a fee for liquidity provision for securities with prices below one dollar. For Trader ID Groups that qualify for the Liquidity Adding Incentive a rebate will not be provided for securities with prices below one dollar. Instead the liquidity fee will be removed.

Expected Date of Implementation

Subject to regulatory approval we are expecting to introduce these features on November 1, 2018.

Rationale and Relevant Supporting Analysis

The Program is designed to incentivize high quality competitive passive order flow that will result in increased volume while at the same time improving market quality across the Protected NBBO. Both the NBBO Setting Incentive and the Liquidity Adding Incentive only credit passive lit orders that result in trades. By definition, this means that qualifying trades have led to price and size discovery opportunities benefiting active trading participants (in order for a passive lit order to execute, the order must reside at the NBBO and execute against a marketable active order). In the case of NBBO Setting Orders, these orders must improve the NBBO at the time of order entry in addition to resulting in a trade. By improving the BBO on CXC and in turn improving the Protected NBBO across all markets, participants will benefit from tighter spreads and in turn lower implicit trading costs. All NBBO Setting Trades represent liquidity interacting with counterparties benefiting from orders available at better prices. Because the Program is being offered across TSX and TSX-V listed securities the benefits of size discovery, price improvement and lower trading costs will be provided to participants that trade both senior and venture securities.

We note that the CXC Trading Book is a protected lit venue. By creating an incentive for passive lit orders and requiring that these orders must trade in order to be considered for the additional rebate, the Program will encourage a more robust price discovery mechanism for the Protected NBBO while discourage order flow directed to unprotected venues.

Expected Impact on Market Structure Impact of the Changes

As noted above the expected impact of the Program is that participants will enjoy size and price discovery opportunities across more TSX and TSX-V listed securities ultimately resulting in lower trading costs.

Expected impact of Fee Change or Significant Change on Nasdaq CXC's Compliance with Ontario Securities Law and particularly with regard to Fair Access and the Maintenance of a Fair and Orderly Market

The Program will not impact Nasdaq Canada's compliance with Ontario Securities law. Specifically with respect to fair access requirements, each component of the Program is available to all Nasdaq Canada Members equally and Members are eligible automatically to participate in the Program. Furthermore, all types of Member accounts are eligible to participate in the Program.

Consultation and Review

This change is being made in response to feedback solicited by Members.

Estimated Time Required by Members and Vendors (or why a reasonable estimate is not provided)

There is no time required by Members or Vendors to accommodate the fee change.

Will Proposed Fee Change or Significant Change introduce a Fee Model or Feature that Currently Exists in other Markets or Jurisdictions

Yes. Preferential pricing models based on trading volume tiers are supported today and have been supported in the past in Canada. OMEGA ATS provides its subscribers the opportunity to incur a lower trading fee if the total volume traded in a month equals one of three tiers (0 – 100MM, 100MM – 200MM, 200MM +). In the United States it is common practice for exchanges to provide improved pricing based on volume tiers including NBBO Setter Pricing supported by NASDAQ where displayed orders that set a new level of the NBBO or that bring the NASDAQ BBO to the NBBO earn additional rebates.

Any questions regarding these changes should be addressed to Matt Thompson, Nasdaq CXC Limited:
mailto:matthew.thompson@nasdaq.com, T: 416-647-6242

Chapter 25

Other Information

25.1 Consents

25.1.1 GAR Limited – s. 4(b) of Ont. Reg. 289/00 under the OBCA

Headnote

Consent given to an offering corporation under the Business Corporations Act (Ontario) to continue under the British Columbia Business Corporations Act.

Statutes Cited

Business Corporations Act, R.S.O. 1990, c. B.16, as am., s. 181.
Securities Act, R.S.O. 1990, c.S.5, as am.

Regulations Cited

Ont. Reg. 289/00, as am., s. 4(b), made under the Business Corporations Act, R.S.O. 1990, c.B.16, as am.

IN THE MATTER OF
R.R.O 1990, REGULATION 289/00, AS AMENDED
(the REGULATION)
MADE UNDER THE BUSINESS CORPORATIONS ACT (ONTARIO),
R.S.O. 1990, c. B.16, AS AMENDED
(the OBCA)

AND

IN THE MATTER OF
GAR LIMITED

CONSENT
(Subsection 4(b) of the Regulation)

UPON the application of GAR Limited (the **Applicant**) to the Ontario Securities Commission (the **Commission**) requesting the Commission's consent to the Applicant continuing in another jurisdiction pursuant to section 181 of the OBCA (the **Continuance**);

AND UPON considering the application and the recommendation of the staff of the Commission;

AND UPON the Applicant having represented to the Commission that:

1. The Applicant is an offering corporation under the OBCA.

2. The Applicant's common shares are listed and posted for trading on the Canadian Securities Exchange (the **Exchange**) under the symbol "NETC". As at July 6, 2018, the Applicant had 116,694,561 issued and outstanding common shares. The Applicant does not have securities listed on any other exchange.

3. The Applicant intends to apply to the Director pursuant to section 181 of the OBCA (the **Application for Continuance**) for authorization to continue under the *Business Corporations Act* (British Columbia), S.B.C. 2002. C.57 (the **BCBCA**).

4. The Application for Continuance is being made to give effect to the name change of the Applicant from "GAR Limited" to "Netcoins Holdings Inc." and allow the Applicant to be more responsive under provisions of the BCBCA in respect of financing opportunities and other corporate transactions, which may be effected by the Applicant in the future.

5. The material rights, duties and obligations of a corporation governed by the BCBCA are substantially similar to those of a corporation governed by the OBCA.

6. The Applicant is a reporting issuer under the *Securities Act*, R.S.O. 1990, c. S. 5, as amended (the **Act**) and the *Securities Act* (British Columbia), R.S.B.C. 1996, c. 418 (together with the Act, the **Legislation**). It will remain a reporting issuer in Ontario and British Columbia following the proposed Continuance.

7. The Applicant is not in default of any of the provisions of the OBCA or the Legislation, including the regulations made thereunder.

8. The Applicant is not subject to any proceeding under the OBCA or the Legislation.

9. The Applicant is not in default of any provision of the rules, regulations or policies of the Exchange.

10. The British Columbia Securities Commission is the principal regulator of the Applicant and will continue to be its principal regulator after the proposed Continuance.

11. Following the proposed Continuance, the Applicant's registered office and head office will be at 488 – 1090 West Georgia Street, Vancouver, British Columbia, Canada, V6E 3V7.

12. The Applicant's information circular dated July 6, 2018 for its annual general and special meeting of shareholders, held on August 21, 2018 (the **Shareholders Meeting**), disclosed the reasons for, and the implications of, the proposed Continuance. It also disclosed full particulars of the dissent rights of the Applicant's shareholders under section 185 of the OBCA.

13. The Applicant's shareholders approved the proposed Continuance at the Shareholders Meeting by a special resolution that was approved by 98.43% of the votes cast; no shareholder exercised dissent rights pursuant to section 185 of the OBCA.

14. Subsection 4(b) of the Regulation requires the Application for Continuance to be accompanied by a consent from the Commission.

AND UPON the Commission being satisfied that to do so would not be prejudicial to the public interest;

THE COMMISSION CONSENTS to the continuance of the Applicant under the BCBCA.

DATED at Toronto, Ontario this 28th day of August 2018.

"Deborah Leckman"
Commissioner
Ontario Securities Commission

"Poonam Puri"
Commissioner
Ontario Securities Commission

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