The Ontario Securities Commission

OSC Bulletin

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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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NOTICE OF MINISTERIAL APPROVAL OF AMENDMENTS TO
NATIONAL INSTRUMENT 81-102 *INVESTMENT FUNDS*,
NATIONAL INSTRUMENT 81-104 *COMMODITY POOLS*,
NATIONAL INSTRUMENT 81-101 *MUTUAL FUND PROSPECTUS DISCLOSURE*,
NATIONAL INSTRUMENT 41-101 *GENERAL PROSPECTUS REQUIREMENTS*,
NATIONAL INSTRUMENT 81-106 *INVESTMENT FUND CONTINUOUS DISCLOSURE*, AND
NATIONAL INSTRUMENT 81-107 *INDEPENDENT REVIEW COMMITTEE FOR INVESTMENT FUNDS*

On December 6, 2018, the Ontario Minister of Finance approved amendments (the **Rule Amendments**) made by the Ontario Securities Commission to the following rules:

- National Instrument 81-102 *Investment Funds* (**NI 81-102**)
- National Instrument 81-104 *Commodity Pools*
- National Instrument 81-101 *Mutual Fund Prospectus Disclosure*
- National Instrument 41-101 *General Prospectus Requirements*
- National Instrument 81-106 *Investment Fund Continuous Disclosure*
- National Instrument 81-107 *Independent Review Committee for Investment Funds*

The Rule Amendments to NI 81-102 reflect one correction adopted by the Commission: the words ", divided by the fund's net asset value" were deleted in subsection 2.9.1(2) of NI 81-102 before the Rule Amendments were approved by the Minister.

The Rule Amendments, as well as corresponding changes to commentaries and Companion Policies (the **CP Changes**), were published in Supplement 2 of the Bulletin on October 4, 2018. The same material is being published today in Chapter 5 of this Bulletin, except that today's Chapter 5 reflects the one correction to the Rule Amendments.

The Rule Amendments and the CP Changes become effective on January 3, 2019.

1.4 Notices from the Office of the Secretary

1.4.1 Larry Keith Davis

FOR IMMEDIATE RELEASE
December 12, 2018

LARRY KEITH DAVIS,
File No. 2017-6

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

A copy of the Order dated December 12, 2018 and the Amended Statement of Allegations dated December 12, 2018 is available at www.osc.gov.on.ca.

OFFICE OF THE SECRETARY
GRACE KNAKOWSKI
SECRETARY TO THE COMMISSION

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1.4.2 MOAG Copper Gold Resources Inc. et al.

FOR IMMEDIATE RELEASE
December 13, 2018

MOAG COPPER GOLD RESOURCES INC.,
GARY BROWN and
BRADLEY JONES,
File No. 2018-41

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

A copy of the Order dated December 12, 2018 is available at www.osc.gov.on.ca.

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1.4.3 Caldwell Investment Management Ltd.

FOR IMMEDIATE RELEASE
December 18, 2018

CALDWELL INVESTMENT MANAGEMENT LTD.,
File No. 2018-36

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

A copy of the Order dated December 17, 2018 is available at www.osc.gov.on.ca.

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1.4.4 Katanga Mining Limited et al.

FOR IMMEDIATE RELEASE
December 18, 2018

KATANGA MINING LIMITED,
ARISTOTELIS MISTAKIDIS,
TIM HENDERSON,
LIAM GALLAGHER,
JEFFREY BEST,
JOHNNY BLIZZARD,
JACQUES LUBBE and
MATTHEW COLWILL,
File No. 2018-76

TORONTO – Following a hearing held today, the Commission issued an Order approving the Settlement Agreement reached between Staff of the Commission and the respondents in the above named matter.

A copy of the Order dated December 18, 2018, Oral Reasons for Approval of a Settlement dated December 18, 2018, and Settlement Agreement dated December 14, 2018 are available at www.osc.gov.on.ca.

OFFICE OF THE SECRETARY
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Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 DPS Capital Inc.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Relief from the self-dealing prohibitions in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations to permit a one-time reorganization into a fund-on-fund structure including a one-time initial in-specie subscription by the top fund in the related bottom fund subject to conditions.

Applicable Legislative Provisions

National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations, ss. 13.5(2)(a), 13.5(2)(b).

December 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
DPS CAPITAL INC.
(the Filer)

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filer on its behalf and on behalf of Parkwood Limited Partnership Fund, an Ontario limited partnership (the "**Ontario Fund**"), and a Cayman Islands exempted company to be formed (the "**Master Fund**" and, together with the Ontario Fund, the "**Funds**"), for a decision under the securities legislation of the principal regulator (the **Legislation**) pursuant to section 15.1 of National Instrument 31-103 *Registration Requirements and Exemptions* (**NI 31-103**), exempting the Filer from:

(a) the prohibition contained in section 13.5(2)(a) of NI 31-103 that prohibits a registered adviser from knowingly causing an investment portfolio managed by it, including an investment fund for which it acts as an adviser, to purchase a security of an issuer in which a respon-sible person or an associate of a respon-sible person is a partner, officer or direc-tor unless this fact is disclosed to the client, and the written consent of the client to the purchase is obtained before the purchase, to permit the Ontario Fund to make its initial investment in the Master Fund (the **Related Issuer Relief**); and

(b) the prohibition contained in section 13.5(2)(b) of NI 31-103 that prohibits a registered adviser from knowingly causing an investment portfolio managed by it, including an investment fund for which it acts as an adviser, to purchase or sell a security from or to the investment portfolio of (a) a responsible person, (b) an associate of a responsible person or (c) an investment fund for which a responsible person acts as an adviser, to permit the Filer, on behalf of the Ontario Fund, to pay for the initial investment in the Master Fund by transferring portfolio securities from the Ontario Fund to the Master Fund (the **In-Species Trans-action** and the **In-Species Relief**);

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) in respect of the Related Issuer Relief and the In-Species Relief, the Filer has provided notice that section 4.7(1) of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) is intended to be relied upon in each province and territory of Canada where security holders of the Ontario Fund are resident.

Interpretation

Defined terms contained in National Instrument 14-101 *Definitions* have the same meaning in this decision unless they are defined in this decision.

Representations

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

2. The Filer is registered in Ontario as an investment fund manager, a portfolio manager and an exempt market dealer, in Quebec as an investment fund manager and an exempt market dealer and in each of British Columbia and Nova Scotia as an exempt market dealer.

3. The Filer is and will be the manager and portfolio adviser of the Funds.

4. The Ontario Fund was formed in May 2004 and has issued and will issue limited partnership units exclusively to Canadian investors pursuant to the "accredited investor exemption" or another exemption from the prospectus requirement under applicable Canadian securities laws. It is a non-redeemable investment fund.

5. The Master Fund is a Cayman Islands exempted company formed on November 22, 2018 as the master fund in a "feeder-master" structure and will commence issuing securities on January 1, 2019.

6. The Master Fund will issue interests in the Master Fund directly to non-residents of Canada and to the Ontario Fund.

7. Each of the Funds has the same investment objectives and strategies and as such, the investments held by the Master Fund are compatible with the investment objectives and strategies of the Ontario Fund and the investments held by the Ontario Fund are compatible with the investment objectives and strategies of the Master Fund.

8. None of the Funds is, or will become, a reporting issuer in Canada. Each Fund is not in default of securities legislation in any province or territory of Canada.

9. The Filer is not a reporting issuer in any jurisdiction of Canada and is not in default of securities legislation in any province or territory of Canada.

10. The Filer will provide timely notice of the transition contemplated hereunder to each of the investors in the Ontario Fund so that each investor will be able to redeem from the Ontario Fund prior to giving effect to such transition.

Fund-on-Fund Structure

11. The Filer wishes to cause the Ontario Fund to invest in the Master Fund.

12. The investment objectives and strategies of the Ontario Fund and the Master Fund are and will be substantially the same.

13. The fund-on-fund structure will permit the Filer to manage a single portfolio of assets for both the Ontario Fund and the Master Fund in a single investment vehicle structure.

14. Managing a single pool of assets provides economies of scale, allows the Ontario Fund to achieve its investment objectives in a cost efficient manner and will not be detrimental to the interests of other shareholders of the Master Fund.

15. The fund-on-fund structure is expected to increase the asset base of the Master Fund, which is expected to result in additional benefits to shareholders of the Master Fund (including the Ontario Fund), including more favourable pricing and transaction costs on portfolio trades, increased access to investments when there is a minimum subscription or purchase amount, and better economies of scale through greater administrative efficiency.

16. The investment in the Master Fund by the Ontario Fund as at January 1. 2019 will be effected at the then current net asset value of the Ontario Fund and thereafter, the Ontario Fund will invest cash in the Master Fund. The Master Fund will not yet have any assets at the time the Ontario Fund makes its initial investment in the Master Fund. Currently, the Ontario Fund holds primarily publicly traded securities and does not hold more than 10% of its assets in "illiquid assets", as defined in National Instrument 81-102 (**NI 81-102**). The Master Fund may invest more than 10% of its assets in illiquid assets after the Ontario Fund's initial investment, but will obtain the consent of its investors going forward as required under section 13.5(2)(a) of NI 31-103.

17. The Master Fund will not itself be a top fund in a fund-on-fund structure.

18. Securities of the Ontario Fund and the Master Fund have, or will have, matching redemption and valuation dates.

19. The Filer manages, or will manage, the liquidity of the Ontario Fund having regard to the redemption features of the Master Fund to ensure that it can meet redemption requests from investors of the Ontario Fund.

20. Effective as of January 1, 2019, the investment assets of the Ontario Fund and the Master Fund will continue to be held in accordance with sections 14.5.2 to and including 14.6.2 of NI 31-103.

21. In the absence of the Related Issuer Relief, the Ontario Fund is precluded from investing in the

Master Fund unless the specific fact is disclosed to securityholders of the Ontario Fund and the written consent of the securityholders of the Ontario Fund to the investment is obtained prior to the purchase, since an officer and/or director of the Filer, who may be considered a responsible person (as per section 13.5 of NI 31-103) or an associate of a responsible person, may also be a partner, officer and/or director of the Master Fund.

22. The Ontario Fund will not vote the securities of the Master Fund held by it at any meeting of holders of such securities except that the Ontario Fund may, if the Filer so chooses, arrange for all of the securities it holds of the Master Fund to be voted by the beneficial holders of securities of the Ontario Fund to the extent the matter being voted on would have required approval of such beneficial holders had it occurred at the Ontario Fund level.

23. The Ontario Fund will revise its offering documents upon receipt of the exemptive relief being sought under this Application to disclose that commencing on January 1, 2019, the Ontario Fund will invest substantially all of its capital in the Master Fund and to obtain the consent of security holders of the Ontario Fund whose subscription is effective on and following January 1, 2019. The Filer only requires the Related Issuer Relief in connection with the Ontario Fund's initial investment in the Master Fund.

24. The investment by the Ontario Fund in the Master Fund represents the Filer's business judgment, uninfluenced by considerations other than the best interests of the Ontario Fund and the Master Fund.

25. There will not be any duplication of management or performance fees paid to the Filer or any of its affiliates.

26. There will not be any duplication of incentive allocations, performance allocations or other similar participations in the profits of the Ontario Fund and the Master Fund by the Filer or any of its affiliates.

In-Specie Transaction

27. The Filer wishes to engage in the In-Specie Transaction effective as of January 1, 2019 pursuant to which the Ontario Fund will purchase securities of the Master Fund and as payment for the securities make good delivery of portfolio securities that meet the investment criteria of the Master Fund.

28. The Filer considers an investment by the Ontario Fund in the Master Fund by way the In-Specie Transaction, to be a more cost effective and efficient way for the Ontario Fund to achieve exposure to the portfolio securities than a direct investment in those securities.

29. In the circumstances, instead of the Ontario Fund disposing of portfolio securities and the Master Fund respectively purchasing the same securities and incurring unnecessary brokerage costs, the portfolio securities will, pursuant to the In-Specie Transaction, be acquired by the Master Fund.

30. As the Filer is the portfolio adviser of each Fund, the Filer would be considered to be a "responsible person" within the meaning of the applicable provisions of NI 31-103. Accordingly, without the In-Species Relief, the Filer would be prohibited from engaging the Funds in the In-Specie Transaction.

31. The In-Specie Transaction will represent the business judgment of the Filer uninfluenced by considerations other than the best interests of the Funds.

32. In connection with the In-Specie Transaction:

    (a) the Master Fund will, at the time of payment, be permitted to purchase the portfolio securities;

    (b) the portfolio securities are acceptable to the Filer, as portfolio adviser to the Master Fund, and are consistent with the investment objectives of the Master Fund;

    (c) the value of the portfolio securities is equal to the issue price of the securities of the Master Fund for which they are payment, valued as if the securities were portfolio assets of the Master Fund;

    (d) each Fund will keep written records of the In-Specie Transaction, reflecting the details of portfolio securities delivered to, or delivered by, such Fund and the value assigned to such portfolio securities, for a period of five years after the end of the fiscal year, the most recent two years in a reasonably accessible place;

    (e) the Filer does not receive any compensation in respect of the In-Species Transaction and, in respect of the delivery of portfolio securities under the In-Species Transaction, the only charge paid by the Fund may be a commission charged by the dealer executing the trade and/or any administrative charges levied by the custodian;

    (f) the Filer has determined that it is in the best interests of the Funds to receive the exemption sought and engage in In-Specie Transactions.

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 Related Issuer Relief is granted provided that:

1. securities of the Ontario Fund are distributed in Canada solely pursuant to exemptions from the prospectus requirement under Canadian securities legislation;

2. the investment by the Ontario Fund in the Master Fund is compatible with the fundamental investment objectives of the Ontario Fund;

3. the investment in the Master Fund by the Ontario Fund will be effected at the then current net asset value of the Ontario Fund;

4. the Ontario Fund will not purchase or hold a security of the Master Fund unless at the time of purchasing securities of the Master Fund, the Master Fund holds no more than 10% of its NAV in securities of other investment funds;

5. no management fees or incentive fees are payable by the Ontario Fund that, to a reasonable person, would duplicate a fee payable by the Master Fund for the same service;

6. no sales fee or redemption fees are payable by the Ontario Fund in relation to its purchases or redemptions of securities of the Master Fund that, to a reasonable person, would duplicate a fee payable by an investor in the Ontario Fund;

7. the Filer does not cause the securities of the Master Fund held by Ontario Fund to be voted at any meeting of the holders of such securities, except that the Filer may arrange for the securities the Ontario Fund holds of the Master Fund to be voted by the beneficial owners of the securities of the Ontario Fund who are not the Filer or an officer, director or substantial securityholder of the Filer; and

8. when purchasing and/or redeeming securities of Master Fund, the Filer shall act honestly, in good faith and in the best interests of the Ontario Fund and the Master Fund, respectively, and shall exercise the care and diligence that a reasonably prudent person would exercise in comparable circumstances.

The In-Species Relief is granted provided that:

1. the Master Fund will at the time of payment be permitted to purchase the portfolio securities delivered in specie by the Filer, on behalf of the Ontario Fund;

2. the portfolio securities are acceptable to the Filer as portfolio adviser of the Master Fund, and consistent with the investment objectives of the Master Fund;

3. the portfolio securities transferred by the Ontario Fund as purchase consideration will be valued: (i) on the same valuation day on which the purchase price of the Master Fund's securities is determined; and (ii) at a value equal to the amount at which those portfolio securities were valued in calculating the net asset value used to establish the purchase price of the Master Fund's securities, as if the portfolio securities were assets of the Master Fund and as if the Master Fund was subject by subsection 9.4(2)(b)(iii) of NI 81-102;

4. each of the Ontario Fund and the Master Fund will keep written records of the In-Specie Transaction, reflecting details of the portfolio securities delivered to the Master Fund, and the value assigned to such portfolio securities, for a period of five years after the end of the fiscal year, the most recent two years in a reasonably accessible place; and

5. the Filers do not receive any compensation in respect of any sale or redemption of securities of the Ontario Fund and, in respect of any delivery of portfolio securities further to the In-Specie Transaction, the only charge paid by the Ontario Fund or the Master Fund is the transfer charge.

"Neeti Varma"
Acting Manager Investment Funds & Structured Products Branch
Ontario Securities Commission

2.1.2 Quadrus Investment Services Ltd.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Relief from the requirement in s.3.2.01, NI 81-101 to deliver a fund facts document to investors for subsequent purchases of mutual fund securities made pursuant to model portfolios, subject to certain conditions.

Applicable Legislative Provisions

National Instrument 81-101 Mutual Fund Prospectus Disclosure, ss. 3.2.01, 6.1.

December 11, 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
QUADRUS INVESTMENT SERVICES LTD.
(the Filer)

DECISION

Background

The principal regulator (**Principal Regulator**) in the Jurisdiction has received an application from the Filer for a decision under the securities legislation of the Jurisdiction (**Legislation**) for an exemption from the requirement (**Fund Facts Delivery Requirement**) in section 5.2 of National Instrument 81-101 *Mutual Fund Prospectus Disclosure* (**NI 81-101**) to send or deliver the most recently filed fund facts document (**Fund Facts**) in the manner required under the Legislation in respect of purchases of securities of the Funds (as defined below) that are made in connection with Rebalancing Trades (as defined below) and Weighting Change Trades (as defined below) executed with respect to a Model Portfolio (as defined below) (**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 by the Filer in all the provinces and territories of Canada (together with Ontario, the **Jurisdictions**) in respect of the Exemption Sought.

Interpretation

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

Representations

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

The Filer

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

2. The Filer is registered as a mutual fund dealer in each of the jurisdictions of Canada and is a member of the Mutual Fund Dealers Association of Canada.

3. Mackenzie Financial Corporation (**Mackenzie**) is a corporation amalgamated under the laws of Ontario with its head office located in Toronto, Ontario.

4. Mackenzie is registered as an investment fund manager in each of Ontario, Quebec and Newfoundland & Labrador, as a portfolio manager and exempt market dealer in each of the Jurisdictions, and as a commodity trading manager in Ontario.

5. Mackenzie is the investment fund manager of certain mutual funds (**New Funds**) which will form part of the London Life Managed Program model portfolio service described below (the **Service**) and may, in the future, be the manager of other mutual funds used in the Service (collectively with the New Funds, the **Funds**).

6. The Filer acts as the principal distributor of securities of the Funds offered under the Service.

7. Each Fund will be an open-ended mutual fund established under the laws of Ontario or another Jurisdiction.

8. Each Fund is or will be a reporting issuer in one or more of the Jurisdictions and is or will be subject to the provisions of National Instrument 81-102 *Investment Funds* (**NI 81-102**).

9. Mackenzie, the Filer and the New Funds are not in default of securities legislation in any Jurisdiction.

The Service

10. Mackenzie proposes to offer the Service to investors in the Funds who typically have a minimum of $25,000 to invest (either alone or part of a household). The Service will allow investors to match their risk profile and investment objectives to a model portfolio of Funds (each, a **Model Portfolio**) and then allocate their investment into I Series securities of such Funds and rebalance such investments on a pre-determined periodic basis.

11. Each Model Portfolio will be comprised entirely of Funds for which Mackenzie acts as investment fund manager. Only I Series securities of the Funds will be used in the Service. The Funds do not pay any fees to Mackenzie in respect of I Series securities; instead, I Series investors pay a management and administration fee directly to Mackenzie.

12. Under the Service, Mackenzie proposes to offer a number of Model Portfolios, each of which will correspond to a different investment objective, investment horizon and risk profile.

13. Each Model Portfolio will be comprised of a selection of Funds and will have its own unique allocation of mutual funds that are exposed to different asset classes (the **Asset Classes**).

14. Mackenzie will construct Model Portfolios which provide exposure to the different Asset Classes. In the case of certain Asset Classes, Mackenzie will identify a short list of Funds that are all suitable for the particular Model Portfolio. Each Fund within each Asset Class will have a specified minimum and maximum percentage permitted range (the **Permitted Range**) that is identified by Mackenzie.

15. The Filer will collect all of the relevant know-your-client and suitability information (including the client's financial circumstances, investment knowledge, investment objectives, investment time horizon and risk tolerance) for each client in the Service.

16. If a potential client is interested in the Service, the potential client will meet with a dealing representative of the Filer and, through the use of a digital tool (**Tool**), complete a series of questions in order to establish their risk profile, investment objectives, time horizon, liquidity needs and income requirements. Based on the potential client's responses in the Tool, a Model Portfolio will be recommended by the Filer as most suitable for the potential client. Where there is a choice of Funds within a particular Asset Class for the Model Portfolio, the dealing representative of the Filer will provide a recommendation for the specific Fund to be used for the particular Asset Class.

17. The client will discuss the recommended Model Portfolio and the recommended specific Funds with their dealing representative in face-to-face meetings and/or via the telephone or email or other written correspondence. However, the client ultimately choses the Model Portfolio and, where there is a choice available, also selects which Funds are to be used in the desired Model Portfolio.

18. The Tool will generate:

    (a) an investment policy statement which reflects the composition of the Model Portfolio and the Funds in the Model Portfolio, the percentage allocation among the Asset Classes and the Permitted Range to be invested in for each Fund; and

    (b) a client acknowledgement letter which describes the fees and provides for the payment of the fees to the Filer and Mackenzie and the terms of the Service, as well as the rules governing the investment and management of the Model Portfolio (the **I Series Account Agreement**).

19. Clients will have no direct contact with Mackenzie in connection with Mackenzie's management of the Model Portfolios and will interact solely with the Filer and approved persons of the Filer in connection with Mackenzie's management of the Model Portfolios and the Filer's administration of its accounts.

20. The fees and expenses charged in respect of the Service will be disclosed in the simplified prospectus and Fund Facts of the Funds and in the I Series Account Agreement.

21. There will be no duplication of any fees or charges as a result of a client's decision to use the Service:

    (a) Mackenzie will receive management and administration fees directly from each investor in respect of the investor's holding of I Series securities of the Funds. These management and administration fees are charged on a tiered basis depending upon the amount of assets held by each investor and their household across all mutual funds, segregated funds and annuities offered by London Life and the Filer and includes the cost to Mackenzie of offering and managing the Service.

    (b) The Filer and its dealing representatives will not receive any trailing commissions from the Funds and, instead, will receive advisor service fees from each client in the Service, which reflects the costs associated with performing its dealer responsibilities for the Service.

    (c) No sales charges, redemption fees, switch fees or early trading fees will be charged in connection with any trades effected under the Service.

22. The I Series Account Agreement with the Filer and Mackenzie sets out, amongst other matters, the following:

    (a) Model Portfolio – The client will authorize Mackenzie to manage the client's investments on a discretionary basis with a view to ensuring that the client's account(s) are managed in accordance with the agreed upon Model Portfolio, according to the Permitted Range indicated in the I Series Account Agreement, but will provide that Mackenzie is not responsible for taking into consideration the client's financial circumstances or risk profile in the management of the account(s);

    (b) No Changes to another Model Portfolio – In the event that changes in the client's financial circumstances or risk profile are communicated by the client to the Filer, which results in a different Model Portfolio being more suitable for the client, the client will be required to enter into a new I Series Account Agreement before the client's investments are changed to reflect the new Model Portfolio;

    (c) Funds in Model Portfolio – Except as described below, none of the Filer, Mackenzie or the client can make any changes to the Funds that make up the chosen Model Portfolio, or to the weighting established for each Fund within an Asset Class in the Model Portfolio. If the client desires to change the Funds or invest in a different Model Portfolio, the investor must terminate the I Series Account Agreement and enter into a new I Series Account Agreement that specifies the new Funds to be used in the Model Portfolio and/or new Model Portfolio. To the extent Mackenzie determines it will no longer offer a Fund within a Model Portfolio (e.g. upon termination of the Fund), it will identify a new Fund to be included in the Model Portfolio and 60 days' advance written notice will be sent to the affected clients, delivering a copy of the Fund Facts for the new Fund and specifying that if the client does not provide his or her objection to the proposed change within a specified date, then Mackenzie will take this non objection as consent to make the Fund substitution in the client's Model Portfolio on the effective date;

    (d) KYC and Suitability – The client will acknowledge that the KYC Requirement and Suitability Requirement is not the responsibility of Mackenzie and instead, the Filer will be responsible for gathering and periodically updating the KYC information concerning the client and confirming the suitability of the client's Model Portfolio;

    (e) Initial Allocation – To commence the Service, the client will invest his/her assets in I Series units of a money market fund managed by Mackenzie and then will instruct the Filer to switch all investments made by the client

in the money market fund into I Series securities of the Funds that make up the chosen Model Portfolio across all accounts for which the client is the beneficial owner according to the target allocation indicated in the I Series Account Agreement;

(f) Asset Classes – The client will authorize Mackenzie to use its discretion to change and update the percentage allocations of the Asset Classes within the Model Portfolio by purchasing and redeeming I Series securities of the Funds in the Model Portfolio (a **Weighting Change Trade**), provided the client is given at least 60 days' advance written notice of the change, but will not authorize the Filer or Mackenzie to add a new Fund into an Asset Class;

(g) Rebalancing Trades – The client will authorize Mackenzie to rebalance holdings in the Funds from time to time within the Permitted Ranges in a manner that seeks to reduce the tax impact of holding such Funds across all account types for which the client is the beneficial owner (the **Rebalancing Trades**); and

(h) No Discretionary Authority for the Filer – The client will acknowledge that the Filer will not have discretionary authority to participate in the management of the Model Portfolio or to effect Weighting Change Trades or Rebalancing Trades.

23. The I Series Account Agreement will explain the different responsibilities of the Filer and Mackenzie with respect to the client and the client's Model Portfolio. This will include disclosure that Mackenzie is responsible for managing the Model Portfolio without reference to the client's circumstances and only in accordance with the Model Portfolio selected by the client, and the Filer alone will have the responsibility to determine that the selected Model Portfolio is and remains suitable for the client.

24. A client may terminate the Service at any time by instructing the Filer to redeem or switch the client's investment out of I Series securities of the Funds.

On-going Monitoring and Oversight

25. The following monitoring and oversight procedures will be carried out in connection with each client's account in the Service:

(a) An annual portfolio review will be conducted by the relevant dealing representative of the Filer to determine whether there have been any changes to the client's circumstances that would warrant the selection of another Model Portfolio; and

(b) Ongoing oversight of each Model Portfolio by Mackenzie's advising representatives, including the selection of recommended Funds within each Asset Class, to determine whether the composition of the Model Portfolio remains suitable for the risk profile of the model or whether any changes to the Asset Classes or selection of Funds within the model would be appropriate.

26. If Mackenzie determines it is appropriate to make a Weighting Change Trade to the Asset Classes in each a Model Portfolio, each affected client will receive a notice describing the proposed change and specifying that if the client does not provide his or her objection to the proposed change within a specified date, then Mackenzie will take this non objection as consent to make the appropriate changes to the client's Model Portfolio of Funds on the effective date.

Account Reporting

27. The I Series securities of the Funds that comprise each Model Portfolio are directly held by each client in his/her own account(s) established with the Filer.

28. The Weighting Change Trades and Rebalancing Trades will be reflected in each client's account(s) with the Filer on the business day following such trades and the records of Mackenzie and the Filer are reconciled daily.

29. Clients will be able to access their accounts via the internet on a daily basis.

30. The Filer will send statements of account to each client in the Service on a quarterly basis.

31. An investment performance report will be sent to each client in the Service by the Filer on an annual basis.

32. Mackenzie will provide each client in the Service with an annual tax reporting package.

Exemption Sought

33. Weighting Change Trades and Rebalancing Trades will result in redemptions and purchases of securities of one or more Funds in the Model Portfolio. Such purchases would trigger the Fund Facts Delivery Requirement for the Fund(s) in the Model Portfolio, unless the Filer has previously delivered the most recent Fund Facts.

34. The Fund Facts Delivery Requirement requires the Filer, unless it has previously done so, to deliver or send to the investor the most recently filed Fund Facts before the Filer accepts an instruction from the investor to purchase a security of a Fund.

35. Prior to the initial set-up of a new Model Portfolio for an investor or prior to an investor adding new money to their chosen Model Portfolio, the Filer will send or deliver the Fund Facts document in respect of the money market fund and each Fund in the chosen Model Portfolio to the investor, in accordance with the Fund Facts Delivery Requirement.

36. In the absence of the Exemption Sought, unless the Filer has previously done so, the Filer is required to deliver the most recently filed Fund Facts for each affected Fund in an investor's chosen Model Portfolio prior to each Weighting Change Trade and Rebalancing Trade.

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) each investor in a Model Portfolio is sent or delivered a notice that states:

  (i) that except as contemplated in representations 22 and 26 above, the investor will not receive the Fund Facts for the Funds in the Model Portfolio from time to time, unless the investor specifically requests them,

  (ii) the investor is entitled to receive upon request, at no cost to the investor, the most recently filed Fund Facts for the Funds in the Model Portfolio by calling a specified toll-free number, or by sending a request by mail or e-mail to a specified address or e-mail address,

  (iii) how to access the Fund Facts for the Funds in the Model Portfolio electronically,

  (iv) the investor will not have a right of withdrawal under the Legislation for Weighting Change Trades and Rebalancing Trades for the Funds in the Model Portfolio, but will continue to have a right of action if there is a misrepresentation in the prospectus or any document incorporated by reference into the prospectus, and

  (v) the investor may terminate the I Series Account Agreement at any time;

(b) at least annually, the investor will be advised in writing of how he/she can request the most recently filed Fund Facts; and

(c) the most recently filed Fund Facts is sent or delivered to the investor if the investor requests it.

"Stephen Paglia"
Manager, Investment Funds & Structured Products
Ontario Securities Commission

2.1.3 Yorkville Asset Management Inc.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Relief under section 19.1 of National Instrument 81-102 Investment Funds (NI 81-102) from (i) the requirement in paragraph 5.5(1)(a.1) of NI 81-102 to obtain approval for a change of control of an investment fund manager before the change occurs, and (ii) the requirement in paragraph 5.8(1)(a) of NI 81-102 for securityholders of a fund to be provided 60 days prior notice of the change of control of the investment fund manager, to permit a change of control of the investment fund manager after the change has occurred – Due to oversight, regulatory approval was not sought, and notice was not given to securityholders, of the change of control until after the change had occurred – Relief granted provided (i) no material changes are made to the management, operations or portfolio management of the funds for 60 days subsequent to notice of the change of control being provided to securityholders of the fund, and (ii) investors who purchased securities of the funds without prior notice of the change of control and who elect to redeem such securities within 90 days of being notified of the change of control are reimbursed any sales charge paid at the time of purchase and do not incur any deferred sales charges.

Applicable Legislative Provisions

National Instrument 81-102 Investment Funds, ss. 5.5(1)(a.1), 5.8(1)(a), 19.1.

December 6, 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
YORKVILLE ASSET MANAGEMENT INC.
(the Manager)

AND

IN THE MATTER OF
THE FUNDS
(as defined below)

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Manager and 2324615 Ontario Ltd. (2324615 Ontario Ltd., together with the Manager, the **Filers**) for a decision under the securities legislation of the Jurisdiction of the principal regulator (the **Legislation**) exempting the Filers or the Manager, as applicable, under section 19.1 of National Instrument 81-102 *Investment Funds* (**NI 81-102**) from:

(i) the requirement in paragraph 5.5(1)(a.1) of NI 81-102 for the Filers to obtain the prior approval of the securities regulatory authority or regulator for a change of control of the Manager (the **Prior Approval Relief**), and

(ii) the requirement in paragraph 5.8(1)(a) of NI 81-102 for the Manager to provide notice to each securityholder of the Funds (as defined below) at least 60 days prior to the change in control of the Manager (the **Notice Relief**) and, together with the Prior Approval Relief, the **Relief Sought)**,

to permit a change of control of the Manager after the change has occurred.

Under National Policy 11-203 *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 Filers have provided notice that subsection 4.7(1) of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) is intended to be relied upon in each of British Columbia, Alberta, Saskatchewan, Manitoba and Québec (together with Ontario, each a **Jurisdiction** and, collectively, the **Jurisdictions**).

Interpretation

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

Representations

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

The Manager

1. The Manager, a corporation existing under the *Business Corporations Act* (Ontario), with its head office in Toronto, Ontario, is an asset management company.

2. The Manager is registered as a portfolio manager and exempt market dealer in Alberta, British Columbia and Ontario and as an investment fund manager in Ontario.

3. The Manager is the investment fund manager and portfolio manager of Yorkville Enhanced Protection Class, Yorkville Canadian QVR Enhanced Protection Class, Yorkville American QVR Enhanced Protection Class, Yorkville Health Care Opportunities Class, Yorkville Global Opportunities Class, Yorkville Optimal Return Bond Class and Yorkville International QVR Enhanced Protection Class (each a **Fund** and collectively, the **Funds**).

4. The Manager is not in default of applicable securities legislation in any Jurisdiction except the Manager failed to: (i) obtain approval of the securities regulator prior to completing the Transaction (described below) that resulted in a change of control of the Manager, as required by paragraph 5.5(1)(a.1) of NI 81-102 and (ii) provide notice of the change of control of the Manager to all securityholders of the Funds at least 60 days before the effective date, as required by paragraph 5.8(1)(a) of NI 81-102.

The Funds

5. Each Fund is a separate class of mutual fund shares of Yorkville Mutual Fund Corporation (the **Mutual Fund Corporation**).

6. The Funds are governed by NI 81-102 and are reporting issuers in each Jurisdiction.

7. The Funds are not in default of applicable securities legislation in any Jurisdiction.

2324615 Ontario Ltd.

8. 2324615 Ontario Ltd. is a corporation existing under the *Business Corporations Act* (Ontario), with its head office in Toronto, Ontario.

9. 2324615 Ontario Ltd. currently owns 100% of the common shares of the Manager and The Hussein Amad Family Trust owns 100% of the common shares of 2324615 Ontario Ltd. Hussein Amad is the sole trustee and sole beneficiary of the Hussein Amad Family Trust.

10. Hussein Amad is a director and the President, Chief Executive Officer and Chief Compliance Officer of the Manager, a director and the President and Chief Executive Officer of the Mutual Fund Corporation, and a director, President and Secretary-Treasurer of 2324615 Ontario Ltd.

The Transaction

11. Prior to September 14, 2018 (the **Closing Date**), 100% of the issued and outstanding Class B common shares of the Manager were owned by 2324615 Ontario Ltd. and 100% of the issued and outstanding Class A common shares of the Manager were owned by Hailus Financial Group Limited (the **Vendor**). Class A and Class B common shares of the

Manager were equal in voting rights, effectively resulting in 2324615 Ontario Ltd. owning 50% of the Manager and the Vendor owning the remaining 50%.

12. Pursuant to a share purchase agreement entered into among the Manager and the Vendor on September 6, 2018, as of the Closing Date, the Manager repurchased for cancellation all of the Class A common shares held by the Vendor on the Closing Date with the result that 2324615 Ontario Ltd. owns 100% of the Manager (the **Transaction**).

Change of Control of the Manager

13. As the share ownership of the Manager has changed such that the common shares owned by the Vendor on the Closing Date have been repurchased and cancelled and, as a result, as of the Closing Date, 2324615 Ontario Ltd. owns 100% of the Manager, the Transaction resulted in a change of control of the Manager. Accordingly, regulatory approval was required pursuant to paragraph 5.5(1)(a.1) of NI 81-102.

Impact of the Transaction on the Manager and the Funds

14. The Transaction has not resulted in any material changes to, or impact on, the business, operations or affairs of the Funds, the securityholders of the Funds or the Manager.

15. The Manager continues to act as the investment fund manager and portfolio manager of the Funds in the same manner as it conducted such activities immediately prior to the Closing Date.

16. There are no plans to change the role of the Manager as investment fund manager or portfolio manager of the Funds.

17. Hussein Amad, the President, Chief Executive Officer and Chief Compliance Officer and Jillian Wade, the Chief Financial Officer of the Manager remain in those senior management roles.

18. Prior to the Transaction, the Vendor was not involved in the day-to-day operations of the Manager or the Mutual Fund Corporation other than having three nominees as directors of the Manager and the Mutual Fund Corporation (i.e. Onofrio Loduca, Jason Maguire and Scott McIndless) (the **Vendor's Director Nominees**).

19. Effective September 14, 2018, the Vendor's Director Nominees resigned their positions as directors of the Manager and the Mutual Fund Corporation. 2324615 Ontario Ltd. intends to appoint two new independent directors, Candice Enman and Lyle Oberg, to the board of directors of the Manager (the **New Independent Directors**). Hussein Amad and the existing two independent directors, Gary M. Seveny and Mahmood Karim, continue to serve as directors of the Manager and the Mutual Fund Corporation.

20. Since the Closing Date, the Filers have not and have no current intention to:

    (a) make any substantive changes as to how the Manager operates or manages the Funds;

    (b) change the structures, investment objectives, investment strategies or valuation procedures of the Funds;

    (c) change the investment fund manager, or portfolio manager of the Funds;

    (d) change the names or branding of the Manager or the Funds;

    (e) change the fees and expenses that are charged to the Funds;

    (f) merge the Funds;

    (g) rationalize personnel or systems;

    (h) except for the resignations of the Vendor's Director Nominees and the appointment of the New Independent Directors, change any of the directors, officers or employees involved in any of the day-to-day business, operations or affairs of the Manager or the Funds;

    (i) make changes to fund accounting and other administrative functions undertaken by the current providers, both internal and external, to the Manager or the Funds; or

    (j) make changes to the custodians of the Funds.

21. The members of the Independent Review Committee (**IRC**) of the Funds prior to the Closing Date ceased to be IRC members upon completion of the Transaction by operation of paragraph 3.10(1)(c) of National Instrument 81-107 *Independent Review Committee for Investment Funds* (**NI 81-107**). However, the same members of the IRC have been reappointed in accordance with NI 81-107.

22. The Transaction has not and is not expected to adversely impact the financial stability of the Manager or its ability to fulfill its regulatory obligations in respect of the Funds.

23. The Transaction has not and will not have any impact on the securityholders' interest in the Funds and securityholders are not required to take any action. The change of control of the Manager, by itself, has not and will not trigger any material change to the Funds.

Notice Requirement

24. Written notice (the **Notice**) regarding the Transaction was sent to each securityholder of the Funds on October 15, 2018 (the **Notice Date**).

25. Due to oversight, the Notice was sent after the change of control of the Manager had occurred, and not at least 60 days before the change as required by section 5.8(1)(a) of NI 81-102. Based on the Closing Date of the Transaction, the Notice was required to have been sent by the Manager no later than July 16, 2018.

26. 2,739 investors purchased mutual fund shares of the Funds without prior notice of the change of control of the Manager in the period from July 16, 2018 to the Notice Date (the **Period**).

27. It is the Filers' view that the failure to send the Notice to securityholders in advance of the change of control of the Manager has not been prejudicial to the securityholders of the Funds for the following reasons:

    (a) the change of control of the Manager has not and will not trigger any material change to the Funds;

    (b) the Transaction has not and will not result in any change in how the Manager administers or manages the Funds;

    (c) the Transaction has not and will not have any impact on the securityholders' interest in the Funds and securityholders are not required to take any action.

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 Relief Sought is granted, provided that:

1. no material changes will be made to the management, operations or portfolio management of the Funds for at least 60 days following the Notice Date; and

2. where an investor who purchased shares of a Fund during the Period notifies the Manager within 90 days of the Notice Date that the investor wishes to redeem from the Funds as a result of the change of control of the Manager, or the Manager is otherwise made aware of this fact, the Manager will

    a. reimburse the investor the amount of any sales charge the investor paid up front at the time of purchase; and

    b. waive any deferred sales charges that may be applicable to such redemption.

"Stephen Paglia"
Manager
Investment Funds and Structured Products Branch
Ontario Securities Commission

2.1.4 Mackenzie Financial Corporation

Headnote

Pursuant to National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Relief from the dealer registration requirement, the know-your-client and suitability requirements, and the requirements to deliver account statements and investment performance reports granted to a portfolio manager in respect of investors in a model portfolio service offered by an affiliated mutual fund dealer.

Applicable Legislative Provisions

Multilateral Instrument 11-102 Passport System, s. 4.7(1).
Securities Act, R.S.O. 1990, c. S.5, ss. 25, 74(1).
National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations, ss. 13.2, 13.3, 14.14, 14.14.1, 14.18, 15.1(2).

December 11, 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
MACKENZIE FINANCIAL CORPORATION
(the Filer)

DECISION

Background

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

(a) the requirement (**Dealer Registration Requirement**) in the Legislation that the Filer be registered as a dealer in order to effect Rebalancing Trades (as defined below) and Weighting Change Trades (as defined below) executed with respect to a Model Portfolio (as defined below) (**Dealer Registration Exemption**);

(b) with respect to clients in the Model Portfolios (as defined below), the requirement (the **Know Your Client Requirement**) in the Legislation that the Filer must take reasonable steps to:

(i) establish the identity of a client and, if the Filer has cause for concern, make reasonable inquiries as to the reputation of the client;

(ii) establish whether the client is an insider of a reporting issuer or any other issuer whose securities are publicly traded;

(iii) ensure that the Filer has sufficient information regarding the client's investment needs, objectives, financial circumstances and risk tolerance to enable the Filer to meet its obligations under the Legislation; and

(iv) keep the information described above current (collectively, the **Know Your Client Exemption**);

(c) with respect to clients invested in the Model Portfolios, the requirement (**Suitability Requirement**) in the Legislation that the Filer must take reasonable steps to ensure that, before it makes a recommendation to or

accepts an instruction from a client to buy or sell a security, the purchase or sale is suitable for the client (the **Suitability Exemption**); and

(d) the requirement (the **Statement Delivery Requirement**) in the Legislation that the Filer deliver account statements and investment performance reports to clients who have invested in the Model Portfolios (the **Statement Delivery Exemption** and together with the Dealer Registration Exemption, Know Your Client Exemption and Suitability Exemption, 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 by the Filer in all the provinces and territories of Canada (together with Ontario, the **Jurisdictions**) in respect of the Exemption Sought.

Interpretation

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

NI 31-103 means National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

Representations

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

The Filer

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

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

3. The Filer is the investment fund manager of certain mutual funds (**New Funds**) which will form part of the London Life Managed Program model portfolio service described below (the **Service**) and may, in the future, be the manager of other mutual funds used in the Service (collectively with the New Funds, the **Funds**).

4. Quadrus Investment Services Ltd. (**Quadrus**) is a corporation incorporated under the laws of Canada with its head office located in London, Ontario.

5. Quadrus is registered as a mutual fund dealer in each of the jurisdictions of Canada and is a member of the Mutual Fund Dealers Association of Canada (**MFDA**).

6. Quadrus acts as the principal distributor of securities of the Funds offered under the Service.

7. Each Fund will be an open-ended mutual fund established under the laws of Ontario or another Jurisdiction.

8. Each Fund is or will be a reporting issuer in one or more of the Jurisdictions and is or will be subject to the provisions of National Instrument 81-102 *Investment Funds* (**NI 81-102**).

9. The Filer, Quadrus and the New Funds are not in default of securities legislation in any Jurisdiction.

The Service

10. The Filer proposes to offer the Service to investors in the Funds who typically have a minimum of $25,000 to invest (either alone or part of a household). The Service will allow investors to match their risk profile and investment objectives to a model portfolio of Funds (each, a **Model Portfolio**) and then allocate their investment into I Series securities of such Funds and rebalance such investments on a pre-determined periodic basis.

11. Each Model Portfolio will be comprised entirely of Funds for which the Filer acts as investment fund manager. Only I Series securities of the Funds will be used in the Service. The Funds do not pay any fees to the Filer in respect of I Series securities; instead, I Series investors pay a management and administration fee directly to the Filer.

12. Under the Service, the Filer proposes to offer a number of Model Portfolios, each of which will correspond to a different investment objective, investment horizon and risk profile.

13. Each Model Portfolio will be comprised of a selection of Funds and will have its own unique allocation of mutual funds that are exposed to different asset classes (the **Asset Classes**).

14. The Filer will construct Model Portfolios which provide exposure to the different Asset Classes. In the case of certain Asset Classes, the Filer will identify a short list of Funds that are all suitable for the particular Model Portfolio . Each Fund within each Asset Class will have a specified minimum and maximum percentage permitted range (the **Permitted Range**) that is identified by the Filer.

15. Quadrus will collect all of the relevant know-your-client and suitability information (including the client's financial circumstances, investment knowledge, investment objectives, investment time horizon and risk tolerance) for each client in the Service.

16. If a potential client is interested in the Service, the potential client will meet with a Quadrus dealing representative and, through the use of a digital tool (**Tool**), complete a series of questions in order to establish their risk profile, investment objectives, time horizon, liquidity needs and income requirements. Based on the potential client's responses in the Tool, a Model Portfolio will be recommended by the Quadrus dealing representative as most suitable for the potential client. Where there is a choice of Funds within a particular Asset Class for the Model Portfolio, the Quadrus dealing representative will provide a recommendation for the specific Fund to be used in the particular Asset Class.

17. The client will discuss the recommended Model Portfolio and the recommended specific Funds with their Quadrus dealing representative in face-to-face meetings and/or via the telephone or email or other written correspondence. However, the client ultimately choses the Model Portfolio and, where there is a choice available, also selects which Funds are to be used in the desired Model Portfolio.

18. The Tool will generate:

    (a) an investment policy statement which reflects the composition of the Model Portfolio and the Funds in the Model Portfolio, the percentage allocation among the Asset Classes and the Permitted Range to be invested in for each Fund; and

    (b) a client acknowledgement letter which describes the fees and provides for the payment of the fees to Quadrus and the Filer and the terms of the Service, as well as the rules governing the investment and management of the Model Portfolio (the **I Series Account Agreement**).

19. Clients will have no direct contact with the Filer in connection with the Filer's management of the Model Portfolios and will interact solely with Quadrus and approved persons of Quadrus in connection with the Filer's management of the Model Portfolios and Quadrus' administration of its accounts.

20. The fees and expenses charged in respect of the Service will be disclosed in the simplified prospectus and Fund Facts of the Funds and in the I Series Account Agreement.

21. There will be no duplication of any fees or charges as a result of a client's decision to use the Service:

    (a) The Filer will receive management and administration fees directly from each client in respect of the client's holding of I Series securities of the Funds. These management and administration fees are charged on a tiered basis depending upon the amount of assets held by each investor and their household across all mutual funds, segregated funds and annuities offered by London Life and Quadrus and includes the cost to the Filer of offering and managing the Service.

    (b) Quadrus and its dealing representatives will not receive any trailing commissions from the Funds and instead will receive advisor service fees from each client in the Service, which reflects the costs associated with performing its dealer responsibilities for the Service.

    (c) No sales charges, redemption fees, switch fees or early trading fees will be charged in connection with any trades effected under the Service.

22. The I Series Account Agreement with Quadrus and the Filer sets out, amongst other matters, the following:

(a) Model Portfolio – The client will authorize the Filer to manage the client's investments on a discretionary basis with a view to ensuring that the client's account(s) are managed in accordance with the agreed upon Model Portfolio, according to the Permitted Range indicated in the I Series Account Agreement, but will provide that the Filer is not responsible for taking into consideration the client's financial circumstances or risk profile in the management of the account(s);

(b) No Changes to another Model Portfolio – In the event that changes in the client's financial circumstances or risk profile are communicated by the client to Quadrus, which results in a different Model Portfolio being more suitable for the client, the client will be required to enter into a new I Series Account Agreement before the client's investments are changed to reflect the new Model Portfolio;

(c) No Changes to Funds in Model Portfolio – None of Quadrus, the Filer or the client can make any changes to the Funds that make up the chosen Model Portfolio, or to the weighting established for each Fund within an Asset Class in the Model Portfolio. If the client desires to change the Funds or invest in a different Model Portfolio, the client must terminate the I Series Account Agreement and enter into a new I Series Account Agreement that specifies the new Funds to be used in the Model Portfolio and/or new Model Portfolio. To the extent the Filer determines it will no longer offer a Fund within a Model Portfolio (e.g. upon termination of the Fund), it will identify a new Fund to be included in the Model Portfolio and 60 days' advance written notice will be sent to the affected clients, delivering a copy of the Fund Facts for the new Fund and specifying that if the client does not provide his or her objection to the proposed change within a specified date, then the Filer will take this non objection as consent to make the Fund substitution in the client's Model Portfolio on the effective date;

(d) KYC and Suitability – The client will acknowledge that the KYC Requirement and Suitability Requirement is not the responsibility of the Filer and instead, Quadrus will be responsible for gathering and periodically updating the KYC information concerning the client and confirming the suitability of the client's Model Portfolio;

(e) Initial Allocation – To commence the Service, the client will invest his/her assets in I Series units of a money market fund managed by the Filer and then will instruct Quadrus to switch all investments made by the client in the money market fund into I Series securities of the Funds that make up the chosen Model Portfolio across all accounts for which the client is the beneficial owner according to the target allocation indicated in the I Series Account Agreement;

(f) Asset Classes –The client will authorize the Filer to use its discretion to change and update the percentage allocations of the Asset Classes within the Model Portfolio by purchasing and redeeming I Series securities of the Funds in the Model Portfolio (a **Weighting Change Trade**), provided the client is given at least 60 days' advance written notice of the change, but will not authorize Quadrus or the Filer to add a new Fund into an Asset Class;

(g) Rebalancing Trades – The client will authorize the Filer to rebalance holdings in the Funds from time to time within the Permitted Ranges in a manner that seeks to reduce the tax impact of holding such Funds across all account types for which the client is the beneficial owner (the **Rebalancing Trades**); and

(h) No Discretionary Authority for Quadrus – The client will acknowledge that Quadrus will not have discretionary authority to participate in the management of the Model Portfolio or to effect Weighting Change Trades or Rebalancing Trades.

23. The I Series Account Agreement will explain the different responsibilities of Quadrus and the Filer with respect to the client and the client's Model Portfolio. This will include disclosure that the Filer is responsible for managing the Model Portfolio without reference to the client's circumstances and only in accordance with the Model Portfolio selected by the client, and Quadrus alone will have the responsibility to determine that the selected Model Portfolio is and remains suitable for the Client.

24. A client may terminate the Service at any time by instructing Quadrus to redeem or switch the client's investment out of I Series securities of the Funds.

On-going Monitoring and Oversight

25. The following monitoring and oversight procedures will be carried out in connection with each client's account in the Service:

(a) An annual portfolio review will be conducted by the relevant Quadrus dealing representative to determine whether there have been any changes to the client's circumstances that would warrant the selection of another Model Portfolio; and

(b) Ongoing oversight of each Model Portfolio by the Filer's advising representatives, including the selection of recommended Funds within each Asset Class, to determine whether the composition of the Model Portfolio remains suitable for the risk profile of the model or whether any changes to the Asset Classes or selection of Funds within the model would be appropriate.

26. If the Filer determines it is appropriate to make a Weighting Change Trade to the Asset Classes in each a Model Portfolio, each affected client will receive a notice describing the proposed change and specifying that if the client does not provide his or her objection to the proposed change within a specified date, then the Filer will take this non objection as consent to make the appropriate changes to the client's Model Portfolio of Funds on the effective date.

Account Reporting

27. The I Series securities of the Funds that comprise each Model Portfolio are directly held by each client in his/her own account(s) established with Quadrus.

28. The Weighting Change Trades and Rebalancing Trades will be reflected in each client's account(s) with Quadrus on the business day following such trades and the records of the Filer and Quadrus are reconciled daily.

29. Clients will be able to access their accounts via the internet on a daily basis.

30. Trade confirmations for the initial allocation trades will be provided by Quadrus and trade confirmations for each Weighting Change Trade and Rebalancing Trade will be provided by the Filer.

31. Quadrus will send statements of account to each client in the Service on a quarterly basis.

32. An investment performance report will be sent to each client in the Service by Quadrus on an annual basis.

33. The Filer will provide each client in the Service with an annual tax reporting package.

Exemption Sought

34. In the absence of the Exemption Sought, the Filer would be required:

(a) to register as a mutual fund dealer under the Legislation and become a member of the MFDA in order to effect the Weighting Change Trades and Rebalancing Trades;

(b) to gather and update the information contemplated by the Know Your Client Requirement in subsection 13.2 of NI 31-103 for each client in the Service in order to fulfil its obligations as a registered adviser;

(c) by the Suitability Requirement in subsection 13.3 of NI 31-103, to ensure that each Weighting Change Trade and Rebalancing Trade is suitable for each client in the Service, rather than invested in accordance with the terms of the client's I Series Account Agreement, in order to fulfil its obligations as a registered adviser; and

(d) by the Statement Delivery Requirement in subsections 14.14 or 14.14.1 and 14.18 of NI 31-103, to deliver a quarterly account statement and annual investment performance report to each client in the Service.

35. Quadrus does not require an exemption from the adviser registration requirement under the Legislation as a result of its involvement with the Model Portfolio as it will not be engaged in providing discretionary management advice to clients in connection with the management of the Model Portfolios and nor will it be participating in the Weighting Change Trades or Rebalancing Trades.

36. Quadrus does not require an exemption from the trade confirmation requirement under the Legislation as it will send trade confirmations after the initial allocation trades and thereafter, it will not act on behalf of a client in the Service to effect any Weighting Change Trades or Rebalancing Trades.

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) the Filer is, at the time of each Weighting Change Trade and Rebalancing Trade, registered under the Legislation as an adviser in the category of portfolio manager;

(b) each Weighting Change Trade and Rebalancing Trade is made in accordance with the terms of the selected Model Portfolio; and

(c) the Filer

(i) takes reasonable steps to assure itself that Quadrus has complied with the Know Your Client Requirement and the Suitability Requirement with respect to each client in the Service;

(ii) maintains its own records of each client's investment positions and trades;

(iii) informs each client in writing that it will not provide account statements and annual performance reports in addition to those delivered by Quadrus;

(iv) has a written agreement with Quadrus concerning their respective responsibilities regarding the delivery of account statements and investment performance reports to clients in the Service; and

(v) takes reasonable steps, including documented sample testing and reconciliations, to verify that account statements and investment performance reports are delivered by Quadrus to clients and are complete, accurate and delivered on a timely basis in a format that is compliant with applicable rules of the MFDA.

In respect of the Dealer Registration Exemption

"Robert P. Hutchison"
Commissioner
Ontario Securities Commission

"Peter Currie"
Commissioner
Ontario Securities Commission

In respect of the Know Your Client Exemption, Suitability Exemption and Statement Delivery Exemption

"Felicia Tedesco"
Deputy Director
Ontario Securities Commission

2.1.5 Husky Energy Inc.

Headnote

Multilateral Instrument 11-102 Passport System and National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Takeover Bids – Identical consideration – Offeror requires relief from the requirement in subsection 2.23(1) of National Instrument 62-104 Take-Over-Bids and Issuer Bids that all holders of the same class of securities must be offered identical consideration – Under the bid, Canadian resident shareholders will receive shares; Non-resident shareholders will receive substantially the same value as Canadian shareholders in the form of cash paid to the non-resident shareholders based on the proceeds from the sale of their shares.

Applicable Legislative Provisions

Multilateral Instrument 62-104 Take-Over Bids and Issuer Bids, ss. 2.23(1), 6.1(1).

Citation: *Re Husky Energy Inc.*, 2018 ABASC 184

December 13, 2018

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

AND

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

AND

IN THE MATTER OF
HUSKY ENERGY INC.
(the Filer)

DECISION

Background

The securities regulatory authority or regulator in each of the Jurisdictions (**Decision Maker**) has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the **Legislation**) exempting the Filer from subsection 2.23(1) of National Instrument 62-104 *Take-Over Bids and Issuer Bids* (the **Identical Consideration Requirement**), which requires the Filer to offer identical consideration to all of the holders of the same class of securities that are subject to a take-over bid in connection with the Filer's offer to acquire all of the outstanding common shares of MEG Energy Corp. (the **Exemption Sought**).

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

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

(b) the Filer has provided notice that subsection 4.7(1) of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) is intended to be relied upon in British Columbia, Saskatchewan, Manitoba, Québec, New Brunswick, Nova Scotia, Newfoundland and Labrador, Prince Edward Island, Nunavut, Yukon and Northwest Territories; and

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

Interpretation

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

Representations

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

1. The Filer is a corporation existing under the *Business Corporations Act* (Alberta) (**ABCA**).

2. The Filer's head office is located in Calgary, Alberta.

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

4. The authorized capital of the Filer consists of an unlimited number of common shares (the **Husky Shares**) and an unlimited number of preferred shares, issuable in series (**Preferred Shares**). As of November 16, 2018 there were 1,005,121,738 Husky Shares and no Preferred Shares issued and outstanding.

5. The Husky Shares are listed on the Toronto Stock Exchange (the **TSX**) under the symbol "HSE".

6. On September 30, 2018, the Filer issued a press release announcing its intention to make an offer (the **Offer**) to acquire all of the common shares (the **Common Shares**) of MEG Energy Corp. (**MEG**). On October 2, 2018, the Filer formally commenced the Offer to acquire all of the Common Shares, including any Common Shares that may become issued and outstanding upon the exercise, exchange or conversion of securities exercisable, exchangeable or convertible into Common Shares, by publishing an advertisement and filing a take-over bid circular (the **Circular**) on SEDAR.

7. MEG is a corporation existing under the ABCA.

8. MEG's head office is located in Calgary, Alberta.

9. MEG is a reporting issuer in each of the provinces and territories of Canada. To the knowledge of the Filer, MEG is not in default of securities legislation in any jurisdiction of Canada.

10. To the knowledge of the Filer, the authorized capital of MEG consists of an unlimited number of Common Shares, of which, as reported by MEG as of September 30, 2018, there were 296,813,000 Common Shares issued and outstanding, 8,682,000 stock options exercisable into Common Shares outstanding and 6,722,000 equity-settled restricted share units and performance share units outstanding under which Common Shares may be issued.

11. The Common Shares are listed on the TSX under the symbol "MEG".

12. Under the terms of the Offer, holders of Common Shares (**Shareholders**) may choose to receive either: (i) $11.00 cash (the **Cash Consideration**) for each Common Share held; or (ii) 0.485 of a Husky Share (the **Share Consideration**) for each Common Share held, subject to pro-ration. The total amount of cash available under the Offer is limited to $1,000,000,000 and the total number of Husky Shares available is limited to 107,215,520.

13. The Offer does not constitute an offer or a solicitation to any person in any jurisdiction in which such offer or solicitation is unlawful. The Offer is not being made to, nor will deposits of Common Shares be accepted from or on behalf of, Shareholders in any jurisdiction in which the making or acceptance of the Offer would not be in compliance with the laws of such jurisdiction. However, the Filer may, in its sole discretion, take such action as it may deem necessary to extend the Offer to Shareholders in any such jurisdiction.

14. The Filer has filed a registration statement on Form F-80 (the **Registration Statement**) with the SEC to register the Offer under the 1933 Act.

15. The Registration Statement does not register the Offer in, or provide an exemption from the securities laws of, any state, district or territory of the United States of America (**U.S.**). As a result, the securities laws of a number of U.S. states could prohibit the distribution of the Husky Shares to Shareholders in the U.S. (the **U.S. Shareholders**) without registration under the securities laws of such states of the Husky Shares to be issued to U.S. Shareholders resident in such states unless such holders are otherwise eligible to be issued Husky Shares in transactions exempt from registration under the securities laws of such states.

16. No offer to sell or solicitation of an offer to buy Husky Shares pursuant to the Offer was made in the U.S. states, districts and territories of Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, the District of Columbia, Florida, Guam, Illinois, Kentucky, Louisiana, Maryland, Massachusetts, Minnesota, Montana, Nebraska, New Jersey, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Puerto Rico, Tennessee, Texas, Utah,

Virginia, Washington, West Virginia and Wyoming (collectively, the **Restricted States**) except only to a person who qualifies as an 'exempt institutional investor' (as defined in the Circular) in the applicable Restricted State.

17. In addition, no offer to sell or solicitation of an offer to buy Husky Shares pursuant to the Offer was made in the state of New York or to U.S. Shareholders resident in New York. However, the Offer was made in New York and U.S. Shareholders resident in New York, under the terms of the Offer when it was made, could tender Common Shares to the Offer and receive the Cash Consideration.

18. The Filer has completed state securities filings in California and New York such that Husky Shares may be distributed under the Offer in such states.

19. To the knowledge of the Filer, and based on a registered list of Shareholders delivered to the Filer by MEG, as of October 11, 2018, aside from Common Shares held by CEDE & Co., there were 15,470,723 Common Shares (approximately 5.21% of the issued and outstanding Common Shares) held of record by 15 U.S. Shareholders. Of such 15,470,723 Common Shares, 1,000 Common Shares were held of record by U.S. Shareholders resident in New York, no Common Shares were held of record by U.S. Shareholders resident in California, and 15,393,184 Common Shares (representing approximately 5.19% of the Common Shares) were held of record by U.S. Shareholders in the Restricted States (other than California).

20. To the knowledge of the Filer, and based on analysis prepared for the Filer by D.F. King Canada, its information agent for the Offer, as of October 17, 2018, there were 108,050,038 Common Shares (approximately 36.40% of the issued and outstanding Common Shares) beneficially held by U.S. Shareholders. Of such 108,050,038 Common Shares, 47,745,331 Common Shares were beneficially held by U.S. Shareholders resident in New York, 12,308,615 Common Shares were beneficially held by U.S. Shareholders resident in California, and 40,021,157 Common Shares (representing approximately 13.48% of the Common Shares) were beneficially held by U.S. Shareholders in the Restricted States (other than California).

21. Registration of the Husky Shares deliverable to certain U.S. Shareholders (who are not eligible to be issued Husky Shares in transactions exempt from registration under the securities laws of a number of U.S. states) under the state securities laws of the Restricted States (other than California) and elsewhere under the Offer would be costly and burdensome to the Filer.

22. The Filer intends to vary its Offer by sending a notice of variation to Shareholders (the **Notice of Variation**) such that:

    (a) Shareholders resident in California and New York may elect to receive the Share Consideration; and

    (b) certain Shareholders may elect to receive Share Consideration and the Filer will deliver to the depositary for the Offer (or such other qualified third party that the Filer determines) (the **Selling Agent**) the total number of Husky Shares Shareholders who are non-residents of Canada, including those U.S. Shareholders residing in a Restricted State (other than California) that are not "exempt institutional investors", would otherwise have been entitled to receive (as partial consideration) under the Offer, but are prohibited from receiving due to applicable securities laws (such Shareholders being referred to in this document, as the **Non-exempt Shareholders**).

23. The Selling Agent or its nominee will, as agent for the Non-exempt Shareholders, sell, or cause to be sold (through a broker in Canada and on the TSX), those Husky Shares that would otherwise be issuable to Non-exempt Shareholders, after the payment date for the Common Shares taken up or otherwise acquired under the Offer (the **Vendor Placement**).

24. After completion of such sales, the Selling Agent will distribute the aggregate net proceeds of sale, after expenses, commissions and applicable withholding tax, *pro rata*, among the Non-exempt Shareholders. Any sales of such Husky Shares described above will be completed as soon as practicable after the date on which the Filer takes up and pays for the Common Shares of Non-exempt Shareholders under the Offer and will be done in a manner intended to maximize the consideration to be received from the sale of such Husky Shares and to minimize any adverse impact of the sale on the market for the Common Shares.

25. The Notice of Variation will disclose the Filer's intention with respect to the Vendor Placement and the procedure to be followed with respect to Non-exempt Shareholders that deposit their Common Shares under the Offer.

26. The Offer to Non-exempt Shareholders and the sale of Husky Shares for the benefit of Non-exempt Shareholders under the Vendor Placement described in the preceding paragraphs will not constitute a violation of any U.S. federal securities laws or any applicable securities laws in a state or territory of the U.S.

27. There is currently a "liquid market" (as defined in section 1.2 of Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions*) for the Husky Shares and the Filer believes that there will continue to be a

"liquid market" for the Husky Shares following completion of the Offer, any related second-step transaction and the sale of the Husky Shares on behalf of Non-exempt Shareholders.

28. Based on the exchange ratio under the Offer and the number of Common Shares outstanding that, to the knowledge of the Filer, could be held by Non-exempt Shareholders and assuming the Filer acquires 100% of the Common Shares (on a non-diluted basis), the Husky Shares to be sold would represent not more than approximately 1.75% of the outstanding Husky Shares immediately following completion of the Offer.

29. If the Filer increases the consideration offered pursuant to the Offer to Shareholders resident in Canada, the increase in consideration will also be offered to Non-exempt Shareholders at the same time and on the same basis.

30. Except to the extent that relief from the Identical Consideration Requirement is granted, the Offer will comply with the requirements under the Legislation.

Decision

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

The decision of the Decision Makers under the Legislation is that the Exemption Sought is granted, provided that each Non-exempt Shareholder, who would otherwise receive Husky Shares pursuant to the Offer, instead receive cash proceeds from the sale of the Husky Shares in accordance with the procedures set out in paragraphs 24 and 25 above.

“Tim Robson”
Manager, Legal
Corporate Finance
Alberta Securities Commission

2.2 Orders

2.2.1 Mitel Networks Corporation

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).

December 12, 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
MITEL NETWORKS CORPORATION
(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 in 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 British Columbia, Alberta, Saskatchewan, Manitoba, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland & Labrador, Northwest Territories, Yukon and Nunavut.

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.

"Michael Balter"
Manager, Corporate Finance
Ontario Securities Commission

2.2.2 Larry Keith Davis

FILE NO.: 2017-6

IN THE MATTER OF
LARRY KEITH DAVIS

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

December 12, 2018

ORDER

WHEREAS on December 12, 2018, the Ontario Securities Commission (the **Commission**) held a hearing at the offices of the Commission, located at 20 Queen Street West, 17th Floor, Toronto, Ontario, to consider a motion by Staff of the Commission (**Staff**) to amend the Statement of Allegations dated February 28, 2017 pertaining to Larry Keith Davis (**Davis**);

ON READING the motion record filed by Staff and on hearing submissions from Staff, no one participating on behalf of Davis, although properly served;

IT IS ORDERED THAT:

1. the Statement of Allegations is to be amended, as attached at Appendix "A"; and

2. this proceeding shall proceed under the expedited procedure for inter-jurisdictional enforcement proceedings pursuant to Rule 11(3) of the *Rules of Procedure and Forms*.

"D. Grant Vingoe"

~~APPENDIX "A"~~

~~IN THE MATTER OF~~
~~THE *SECURITIES ACT*, R.S.O. 1990, c. S.5~~

~~AND~~

IN THE MATTER OF
LARRY KEITH DAVIS

AMENDED STATEMENT OF ALLEGATIONS

~~OF STAFF OF THE ONTARIO SECURITIES COMMISSION~~

(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 (~~"Staff") allege:~~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*.

~~I. OVERVIEW~~

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) ~~1.~~ against Larry Keith Davis (~~"~~**Davis**~~"~~ or the ~~"Respondent") is subject to an order made by the British Columbia Securities Commission (the "BCSC") dated November 7, 2016 (the "BCSC Order") that imposes sanctions, conditions, restrictions or requirements upon him.~~**Respondent**) that:

(i) pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities or derivatives by Davis cease permanently, except that he may trade securities or derivatives for his own account through a registrant, if he provides the registrant with a copy of the Order of the British Columbia Securities Commission (**BCSC**) dated September 19, 2018 (the **BCSC Order**), and a copy of the Order of the Commission in this proceeding, if granted;

(ii) pursuant to paragraph 2.1 of subsection 127(1) of the Act, the acquisition of any securities by Davis cease permanently, except that he may purchase securities for his own account through a registrant, if he provides the registrant with a copy of the BCSC Order, and a copy of the Order of the Commission in this proceeding, if granted;

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

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

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

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

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

B. FACTS

Staff make the following allegations of fact:

3. Davis is subject to an order of the BCSC, which imposes sanctions, conditions, restrictions or requirements upon him.

4.2. In its findings on liability dated June 22, 2016 (the "**Findings**"), a panel of the BCSC (the "**BCSC Panel**") found that Davis perpetrated a fraud, contrary to section 57(b) of the British Columbia *Securities Act*, RSBC 1996, 1996 c 418 (**the "BC Act**").

3. Staff are seeking an inter-jurisdictional enforcement order, pursuant to paragraph 4 of subsection 127(10) of the Ontario *Securities Act*, R.S.O. 1990, c. S.5 (the "Act").

II. THE BCSC PROCEEDINGS

(i) The BCSC Findings Proceedings

Background

5.4. The conduct for which Davis was sanctioned took place between June 2011 and May 2013 (the "**Material Time**").

6.5. As of the date of the Findings, Davis was a resident of British Columbia. Davis has never been registered under the BC Act.

7.6. During the Material Time, Davis was working in investor relations using the name Bravo International Services ("**Bravo**"). In 2009, Davis began doing investor relations work for various companies, including FormCap Corp. ("**FormCap**"), a Nevada company trading on the U.S. over-the-counter market. His involvement with the companies was through an individual ("**Mr. B**").

8.7. Davis had no agreement with FormCap to provide investor relations services, and received no remuneration from the company. He obtained information relating to FormCap from Mr. B. and public sources. For a brief period of time in early 2011, Davis was remunerated for his work relating to FormCap through the transfer of FormCap shares to him from existing shareholders, but had sold his shares by April 2011. The BCSC Panel found that Davis never received any FormCap shares after January 2011.

9.8. WM was a neighbour and family friend of Davis, who had little investment knowledge or experience.

First Investment

10.9. In June 2011, Davis led WM to believe that there was an investment opportunity for her in FormCap, and that she could purchase shares through him. WM provided Davis $4,000 towards her investment, which was to turn into 40,000 FormCap shares in August or September 2011. WM received a receipt for her investment on Bravo letterhead, with an attached Stock Purchase Agreement ("**SPA**") which had been authored by Davis. The SPA set out the terms of the investment, including identifying Davis as the seller of the FormCap shares to WM.

11.10. The BCSC Panel found that Davis deposited the investor's initial investment funds into his personal bank account. Rather than investing the funds as promised, Davis used them instead on personal expenses and cash withdrawals.

12.11. In July 2011, FormCap announced that it had approved a consolidation of its shares on a 1-for-10 share basis by which shareholders would receive one share for every ten shares tendered. By October 17, 2011, however, FormCap abandoned the proposed 1-for-10 share consolidations and disclosed this publicly. Davis knew the 1-for-10 share consolidation was not proceeding, but did not convey that information to WM.

Second Investment

13.12. In April 2012, Davis convinced the investor to make a second investment of $3,000 in exchange for 30,000 FormCap shares. Although WM had yet to receive FormCap shares relating to her first investment, she proceeded with the additional investment. WM believed she was buying FormCap shares from Davis, through Bravo, and opened a brokerage account on Davis' suggestion, into which her FormCap shares were to be deposited. WM received no purchase agreement or receipt in respect of her second investment.

14.13. Following WM's second investment, FormCap restructured and commenced a 1-for-50 share consolidation on August 10, 2012.

SPA Amendment and Request for Return of Investment Funds

15.14. Throughout April and May 2013, WM asked Davis for the return of her investment funds. Davis repeatedly refused her requests, explaining, among other things, that WM's investments were in shares tied to the stock market. At the insistence of WM, the SPA was eventually amended in May 2013 to reflect her second investment.

16.~~15.~~ The BCSC Panel found that as late as May 2013, Davis continued to represent to WM that he owned FormCap shares, despite the 1-for-10 share consolidation having been abandoned in October 2011, and the fact that Davis had never received any FormCap shares following the 1-for-50 share consolidation which commenced in August 2012.

17.~~16.~~ WM never received any FormCap shares from Davis, but eventually succeeded in getting the return of her funds from him through a Small Claims Court process.

BCSC Findings - Conclusions

18.~~17.~~ In its Findings, the BCSC Panel concluded that:

(a)~~a.~~ Davis perpetrated a fraud on WM in the aggregate amount of $7,000 contrary to section 57(b) of the BC Act.

(ii) The BCSC Order

19.~~18.~~ The BCSC Order imposed the following sanctions, conditions, restrictions or requirements upon Davis:

(a)~~a.~~ under ~~sections~~section 161(1)(b)(ii)~~, (c), and (d)(i), (ii), (iii), (iv) and (v)~~ of the BC Act,~~i.~~ Davis cease trading in, and is permanently prohibited from purchasing, any securities~~;~~ or exchange contracts, except ~~he~~Davis may trade or purchase securities for his own account through a registrant if he gives the registrant a copy of the BCSC Order;

(b)~~ii.~~ under section 161(1)(c) of the BC Act, any or all of the exemptions set out in the BC Act, regulations or a decision do not apply to Davis;

(c)~~iii.~~ under section 161(1)(d)(i) and (ii) of the BC Act, Davis resign any position he holds as, and is permanently prohibited from becoming or acting as, a director or officer of any issuer or registrant;

(d)~~iv.~~ under section 161(1)(d)(iii) of the BC Act, Davis is permanently prohibited from becoming or acting as a registrant or promoter;

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

(f)~~vi.~~ ~~Davis is permanently prohibited from engaging in investor relations activities;~~under section 161(1)(d)(v) of the BC Act, Davis is permanently prohibited from engaging in investor relations activities.

~~b. under section 162 of the BC Act,~~

(iii) Davis' Appeal – British Columbia Court of Appeal

20. On December 6, 2016, Davis filed a Notice of Application for Leave to Appeal with the British Columbia Court of Appeal (**BCCA**) with respect to the Findings and the BCSC's original sanctions order dated November 7, 2016 (the **BCSC Original Sanctions Order**). On March 22, 2017, the BCCA granted Davis leave to appeal, and ordered a stay of execution of the market prohibitions and administrative penalty against Davis within the BCSC Original Sanctions Order pending outcome of the appeal.

21. On April 20, 2018, the BCCA issued its Reasons for Judgment, dismissing Davis' appeal on the BCSC's Findings. The BCCA allowed his appeal with respect to the BCSC Original Sanctions Order, staying the orders therein and setting aside the administrative penalty payable by Davis to the BCSC. The BCCA remitted the issue of those sanctions back to the BCSC for reconsideration (*Davis v British Columbia (Securities Commission)*, 2018 BCCA 149).

22. On September 19, 2018, the BCSC issued its decision on reconsideration of sanctions (the BCSC Order), ultimately ordering the same market prohibition sanctions against Davis as those contained within the BCSC Original Sanctions Order.

23. At paragraph 61(2) of the BCSC Original Sanctions Order, the BCSC considered it in the public interest to order that Davis pay to the BCSC an administrative penalty of $15,000. That order was not set aside by the BCCA and remains in effect.

~~III~~C. JURISDICTION OF THE ONTARIO SECURITIES COMMISSION

24.~~19.~~ The Respondent is subject to an order of the BCSC imposing sanctions, conditions, restrictions or requirements upon him.

25.~~20.~~ 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.

26.~~21.~~ Staff allege that it is in the public interest to make an order against the Respondent.

27.~~22.~~ 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.

~~23. Staff request that this application be heard by way of a written hearing pursuant to Rules 2.6 and 11 of the *Ontario Securities Commission Rules of Procedure*.~~

DATED at Toronto ~~this 28th day of February, 2017.~~ this 12th day of December, 2018.

Kai Olson
Litigation Counsel
Enforcement Branch

Tel: (416) 597-7242
Email: kolson@osc.gov.on.ca

2.2.3 MOAG Copper Gold Resources Inc. et al.

FILE NO.: 2018-41

IN THE MATTER OF
MOAG COPPER GOLD RESOURCES INC.,
GARY BROWN and
BRADLEY JONES

Timothy Moseley, Vice-Chair and Chair of the Panel

December 12, 2018

ORDER

WHEREAS on December 12, 2018, the Ontario Securities Commission held a hearing at the offices of the Commission, located at 20 Queen Street West, 17th Floor, Toronto, Ontario;

ON HEARING the submissions of the representatives for Staff of the Commission, MOAG Copper Gold Resources Inc. and Bradley Jones, and Gary Brown appearing in person;

IT IS ORDERED THAT:

1. Staff shall disclose to the Respondents all relevant, non-privileged documents and things in the possession or control of Staff by no later than January 11, 2019;

2. Staff shall serve and file a witness list and indicate any intention to call an expert witness by no later than January 15, 2019; and

3. The Respondents shall serve and file a motion, if any, regarding Staff's disclosure or seeking disclosure of additional documents by no later than March 26, 2019;

4. Staff shall serve a summary of each witness's anticipated evidence on the Respondents by no later than April 2, 2019; and

5. An attendance in this matter is scheduled for April 9, 2019 at 2:00 p.m., or on such other date and time as may be agreed by the parties and set by the Office of the Secretary.

"Timothy Moseley"

2.2.4 Bloomberg Trading Facility Limited – s. 144

Headnote

Application for a variation order extending an interim order so that the interim order will expire on the earlier of (i) July 3, 2019 and (ii) the effective date of a subsequent order exempting BMTF from the requirement to be recognized as an exchange – requested order granted.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., s. 144.

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, CHAPTER S. 5, AS AMENDED
(THE ACT)

AND

IN THE MATTER OF
BLOOMBERG TRADING FACILITY LIMITED

ORDER

VARIATION OF INTERIM ORDER
(Section 144 of the Act)

WHEREAS Bloomberg Trading Facility Limited ("**Applicant**") is authorized by the U.K. Financial Conduct Authority (the "**FCA**"), a financial regulatory body in the United Kingdom, to act as the operator of a multilateral trading facility ("**MTF**");

AND WHEREAS the Applicant has participants or intends to have participants located in Ontario;

AND WHEREAS an MTF allowing access to Ontario participants is considered by the Ontario Securities Commission ("**Commission**") to be carrying on business as an exchange in Ontario;

AND WHEREAS on December 22, 2017, the Commission issued an interim order under section 147 of the Act exempting the Applicant on an interim basis from the requirement in subsection 21(1) of the Act to be recognized as an exchange ("**Interim Order**");

AND WHEREAS the Interim Order will terminate on the earlier of (i) January 3, 2019 and (ii) the effective date of a subsequent order ("**Subsequent Order**") exempting the Applicant from the requirement to be recognized as an exchange under section 21(1) of the Act ("**Termination Date**");

AND WHEREAS the Applicant has made an Application for a Subsequent Order but there is insufficient time for the Applicant to obtain a Subsequent Order from the Commission before the Termination Date;

AND WHEREAS the Commission has determined that it is not prejudicial to the public interest to vary the Interim Order to extend the Applicant's interim exemption from the requirement to be recognized as an exchange pursuant to section 21(1) of the Act for a six-month period;

IT IS HEREBY ORDERED by the Commission, pursuant to section 144 of the Act, that

1. The Interim Order is varied by replacing the reference to "January 3, 2019" with "July 3, 2019".

DATED this 14th day of December, 2018

"AnneMarie Ryan"

"Janet Leiper"

2.2.5 Xplore Technologies Corp.

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 legislation – relief granted.

Applicable Legislative Provisions

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

December 14, 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
XPLORE TECHNOLOGIES CORP.
(the Filer)

ORDER

Background

The principal regulator in the Jurisdiction (**Decision Maker**) has received an application from the Filer for an order under the securities legislation of the Jurisdiction (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 section 4C.5(1) of Multilateral Instrument 11-102 – *Passport System* (**MI 11-102**) is intended to be relied upon in each of British Columbia, Alberta, Saskatchewan, Manitoba, Quebec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador.

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 a corporation governed by the laws of Delaware, with its head office in Austin, Texas.

2. The Filer is a reporting issuer in each of the provinces of Canada (collectively, the **Reporting Jurisdictions**) and it is applying for the Order Sought in each Reporting Jurisdiction.

3. On July 5, 2018, Zebra Technologies Corporation (**Zebra**) and the Filer announced that they had entered into an agreement pursuant to which Zebra would acquire all outstanding common stock of the Filer for U.S.$6.00 per share in cash (the **Acquisition**) through its wholly owned subsidiary, Wolfdancer Acquisition Corp. (the **Purchaser**). Under the

terms of the agreement, Zebra effected the Acquisition via a tender offer that was completed in accordance with U.S. securities laws (the **Tender Offer**). On August 14, 2018, Zebra and the Purchaser accepted for payment all shares validly tendered in the Tender Offer.

4. Following completion of the Tender Offer, Zebra completed the Acquisition through the merger of the Purchaser with and into the Filer, pursuant to which remaining Filer stockholders received the same cash price per share as paid in the Tender Offer. The Filer survived the merger as a wholly owned subsidiary of Zebra.

5. Following completion of the Acquisition, the Filer does have not have any securities outstanding other than the common stock held by Zebra. The outstanding securities of the Filer are beneficially owned directly by fewer than 15 securityholders in each of the jurisdictions of Canada and fewer than 51 securityholders in total worldwide.

6. Prior to completion of the Acquisition, the Filer was an "SEC foreign issuer" for purposes of National Instrument 71-102 – *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*, allowing it to satisfy continuous disclosure obligations under Canadian securities laws by filing the documents it filed with the U.S. Securities and Exchange Commission with the securities regulators in the Reporting Jurisdictions.

7. Following closing of the Acquisition, the Filer's common stock was delisted from the Nasdaq Capital Market, and the Filer terminated its registration under the U.S. *Securities Exchange Act of 1934*.

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. 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.

10. The Filer is applying for a decision that the Filer has ceased to be a reporting issuer in all of the jurisdictions of Canada in which it is a reporting issuer.

11. The Filer has no current intention to seek public financing by way of an offering of its securities in Canada.

12. The Filer is not in default of securities legislation in any Reporting Jurisdiction, other than: (i) the obligation of the Filer to file its interim financial statements for the interim periods ended June 30, 2018 and September 30, 2018 and associated management's discussion and analysis, as well as certification of the foregoing filings, as the filing deadline for such financial statements, management's discussion and analysis and certifications occurred after the Acquisition closed; and (ii) the filing of the Filer's current reports on Form 8-K and its proxy circular materials for periods subsequent to 2015 (collectively, the **Filings**).

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* (**NP 11-206**) as it is in default for failure to file the Filings.

14. The Filer is not eligible to use the modified procedure under NP 11-206 because following the closing of the Acquisition, the Filer no longer files continuous disclosure reports under U.S. securities laws and is no longer listed on a U.S. exchange.

15. Upon granting of the Order Sought, the Filer will no longer be a reporting issuer in any jurisdiction in Canada.

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.

"Janet Leiper"
Commissioner
Ontario Securities Commission

"Anne Marie Ryan"
Commissioner
Ontario Securities Commission

2.2.6 DBRS Limited

Headnote

National Policy 11-205 Process for Designation of Credit Rating Organizations in Multiple Jurisdictions – Application by a designated rating organization to amend and restate its designation order to include a German affiliate as a "DRO affiliate" and remove references to a Mexican affiliate.

Applicable Legislative Provisions

Securities Act (Ontario), R.S.O. 1990, c. S.5, as am., ss. 22, 144.
National Instrument 25-101 Designated Rating Organizations, s. 6.

December 14, 2018

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

AND

IN THE MATTER OF
THE PROCESS FOR DESIGNATION OF
CREDIT RATING ORGANIZATIONS
IN MULTIPLE JURISDICTIONS

AND

IN THE MATTER OF
DBRS LIMITED
(the Filer)

AMENDED AND RESTATED DESIGNATION ORDER

Background

The principal regulator in the Jurisdiction previously designated the Filer as a designated rating organization, as contemplated by National Instrument 25-101 *Designated Rating Organizations* (**NI 25-101**), pursuant to the October 2016 Designation (defined below).

The principal regulator in the Jurisdiction has received an application from the Filer for an amended and restated decision under the securities legislation of the Jurisdiction of the principal regulator (the **Legislation**) that permits the addition of DBRS Germany (as defined below) as a DRO affiliate of the Filer and the removal of DBRS México (as defined below) as a DRO affiliate of the Filer, as contemplated by NI 25-101.

Under the Process for Designation of Credit Rating Organizations in Multiple Jurisdictions (for a passport application):

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

(b) the Filer has provided notice that section 4B.6 of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) is intended to be relied upon in British Columbia, Alberta, Saskatchewan, Manitoba, Québec, Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland and Labrador, the Northwest Territories, Yukon and Nunavut (the **Passport Jurisdictions**).

Interpretation

Terms defined in National Instrument 14-101 *Definitions*, MI 11-102 or NI 25-101 have the same meanings in this decision, unless otherwise defined herein.

Representations

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

The Filer

1. The Filer is a corporation governed by the *Business Corporations Act* (Ontario) with its registered and principal offices located in Toronto, Ontario.

2. The Filer provides credit rating opinions to a broad range of financial institutions, corporate entities, government bodies and various structured finance product groups in North America, Europe, Australasia and South America.

3. Affiliates of the Filer are incorporated in the United States of America, the European Union and Mexico as follows:

   (a) DBRS, Inc. (**DBRS US**) is a corporation existing under the laws of Delaware. DBRS US is registered with the SEC as a nationally recognized statistical rating organization (**NRSRO**), and the Filer is a credit rating affiliate (as that term is defined in SEC Form NRSRO) of DBRS US;

   (b) DBRS Ratings Limited (**DBRS UK**) is a company incorporated in England and Wales and is a registered credit rating agency in the EU. DBRS UK is a credit rating affiliate (as that term is defined in SEC Form NRSRO) of DBRS US;

   (c) DBRS Ratings México, Institución Calificadora de Valores, S.A. de C.V. (**DBRS México**) is a company existing under the laws of México;

   (d) DBRS Ratings GmbH (**DBRS Germany**) is a company existing under the laws of Germany and is a registered credit rating agency in the EU. DBRS Germany is a credit rating affiliate (as that term is defined in SEC Form NRSRO) of DBRS US.

   DRBS US, DBRS UK, DBRS México and DBRS Germany are hereinafter collectively referred to as the **Affiliates**.

4. The Filer is privately owned and operated and is not a reporting issuer. DBRS was acquired in 2015 by a consortium led by The Carlyle Group (a global alternative asset manager) and Warburg Pincus (a global private equity firm). Currently, the Filer, together with DBRS US and DBRS UK, rates more than 1,000 different companies and single-purpose vehicles that issue commercial paper, term debt and preferred shares in the global capital markets.

5. On April 30, 2012, the Commission temporarily designated:

   (a) the Filer as a designated rating organization under the Legislation, and

   (b) each of DBRS US and DBRS UK as DRO affiliates (the **April 2012 Designation**).

   The April 2012 Designation subsequently expired and was replaced by a permanent order dated October 31, 2012 (the **October 2012 Designation**). On October 27, 2016, the October 2012 Designation was further amended and replaced by an order that designated the Filer as a designated rating organization under the Legislation and each of DBRS US, DBRS UK and DBRS México as DRO affiliates under the Legislation (the **October 2016 Designation**).

6. The Filer was granted exemptive relief from certain aspects of NI 25-101 pursuant to an order granted by the Principal Regulator on October 31, 2012 (the **Exemption Order**).

Compliance with NI 25-101

7. Each of the Filer, DBRS US, DBRS UK and DBRS Germany have established a board of directors or supervisory board (each, a **Board**). Each Board includes two non-executive independent directors. At least two members of each Board (including one independent member) have in-depth knowledge and experience at a senior level regarding the markets for structured finance products. The Board of the Filer complies with the composition requirements in section 8 of NI 25-101 and section 2.22 of Appendix A to NI 25-101.

8. The Filer has adopted and implemented its Business Code of Conduct for the DBRS Group of Companies (the **Business Code**) which reflects adherence to the International Organization of Securities Commission's *Code of Conduct Fundamentals for Credit Rating Agencies* (the **IOSCO Code**) and which has been revised to satisfy the requirements of NI 25-101. Each of the Affiliates are subject to the Business Code.

9. The Filer has also implemented a range of globally applicable policies, procedures and internal controls (**Policies**) that are designed to achieve the objectives set out in the IOSCO Code and satisfy regulatory requirements that the Filer implements globally. The Policies satisfy the requirements of NI 25-101.

10. The Board of the Filer has responsibility for performing the functions prescribed by Part 3 of NI 25-101 and sections 2.22 through 2.25 of Appendix A of NI 25-101.

11. The Filer has appointed a designated compliance officer to fulfil the functions prescribed by Part 5 of NI 25-101. The designated compliance officer has a direct reporting relationship to the Board of the Filer.

12. The Business Code and the Policies are consistent in all material respects with the objectives of NI 25-101 and enable the Filer to:

    (a) accommodate the global nature of the Filer's operations;

    (b) ensure the objectivity and integrity of its credit ratings and the transparency of its operations; and

    (c) meet specific jurisdictional requirements, in addition to those which are reflected in the Business Code.

13. The Filer is in compliance in all material respects with the October 2016 Designation, the Exemption Order, NI 25-101 and the securities legislation applicable to credit rating organizations in each jurisdiction in Canada and in any other jurisdiction in which the Filer or the Affiliates operate.

14. The Filer is subject to the requirements set out in the Legislation and the securities legislation in each of the Passport Jurisdictions.

15. The Filer has undertaken to the Commission that it will provide Commission staff with English translations of any relevant documents that:

    (a) were originally prepared in a language other than English and relate to DBRS Germany or ratings of DBRS Germany, and

    (b) are reasonably requested by Commission staff in the course of a compliance review or any other investigation or review under the Legislation.

16. On December 14, 2018, DBRS Germany was registered as a credit rating agency in accordance with Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies.

17. DBRS México has ceased all rating activity and discontinued all of its outstanding ratings. On November 20, 2018, upon application by DBRS, the Comisión Nacional Bancaria y de Valores discontinued the authorization of DBRS México to operate as a rating agency in México.

Decision

The Principal Regulator is satisfied that this decision meets the test set out in the Legislation for the Principal Regulator to make this decision.

The decision of the Principal Regulator under the Legislation is that:

(a) the October 2016 Designation is hereby revoked,

(b) the Filer is designated as a designated rating organization under the Legislation; and

(c) each of DBRS US, DBRS UK and DBRS Germany are designated as DRO affiliates.

“Grant Vingoe”
Vice-Chair
Ontario Securities Commission

“Maureen Jensen”
Chair
Ontario Securities Commission

2.2.7 Marlin Gold Mining Ltd.

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 – The issuer is not an OTC reporting issuer; the securities of the issuer are beneficially owned by fewer than 15 securityholders in each of the jurisdictions of Canada and fewer than 51 securityholders worldwide; no securities of the issuer are traded on a market in Canada or another country; the issuer is not in default of securities legislation except it has not filed certain continuous disclosure documents – relief granted.

Applicable Legislative Provisions

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

December 11, 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
MARLIN GOLD MINING LTD.
(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 and Manitoba, 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 incorporated under the *Business Corporations Act* (British Columbia) (the 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);

4. pursuant to a plan of arrangement under section 291 of the BCBCA completed effective November 9, 2018 (the Arrangement), all of the Common Shares were acquired by Mako Mining Corp. (formerly Golden Reign Resources Ltd.) (Mako) in consideration of 0.5138 of a common share of Mako for each Common Share; on October 30, 2018, the Arrangement was approved at a special meeting of shareholders of Marlin by 99.03% of the votes cast, and the issuance of common shares of Mako in connection with the Arrangement was approved at an annual and general meeting of shareholders of Mako (then Golden Reign) by 99.9% of the votes case; the Supreme Court of British Columbia issued its final order allowing completion of the Arrangement on November 1, 2018;

5. the Filer has no securities outstanding other than the Common Shares;

6. the Filer has no intention to seek public financing by way of an offering of its securities in Canada;

7. the Common Shares were delisted from the TSX Venture Exchange on November 13, 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 any of its obligations under securities legislation in any jurisdiction of Canada other than its obligation to file: (i) its interim financial statements and related management's discussion and analysis for the interim period ended September 30, 2018, as required under National Instrument 51-102 *Continuous Disclosure Obligations* which were due to be filed on November 29, 2018; and (ii) the related certification of such interim financial statements as required under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, also due to be filed on November 29, 2018 (collectively, the Defaults); 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* because of the Defaults.

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 Caldwell Investment Management Ltd.

FILE NO.: 2018-36

IN THE MATTER OF
CALDWELL INVESTMENT MANAGEMENT LTD.

Robert P. Hutchison, Commissioner and Chair of the Panel

December 17, 2018

ORDER

WHEREAS on December 17, 2018, the Ontario Securities Commission (the **Commission**) held a hearing at the offices of the Commission, located at 20 Queen Street West, 17th Floor, Toronto, Ontario;

ON HEARING the submissions of the representatives for Staff of the Commission (**Staff**) and for Caldwell Investment Management Ltd. (the **Respondent**);

IT IS ORDERED THAT:

1. Staff shall serve on the Respondent any expert reports no later than February 15, 2019;

2. the Respondent shall serve on Staff any expert reports in response no later than April 12, 2019;

3. Staff shall serve any expert reports in reply no later than May 24, 2019;

4. 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 no later than May 30, 2019;

5. each party shall provide to the Registrar a copy of an index to the party's hearing brief no later than June 6, 2019;

6. an attendance is scheduled for June 13, 2019 at 10:00 a.m. or such other dates and times as provided by the Office of the Secretary and agreed to by the parties;

7. 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, in accordance with the *Protocol for E-hearings*, no later than June 28, 2019; and

8. the merits hearing shall commence on July 8, 2019 at 10:00 a.m. and continue on July 9, 11, 12, 15, 16, 18, 19, 29 and 30, and August 1, 2, 7, 8, 9, 12, 15, 16, 19, 20, 22, 23, 27 and 28, 2019, or such other dates and times as provided by the Office of the Secretary and agreed to by the parties.

"Robert P. Hutchison"

2.2.9 Katanga Mining Limited et al. – ss. 127(1), 127.1

FILE NO.: 2018-76

IN THE MATTER OF
KATANGA MINING LIMITED,
ARISTOTELIS MISTAKIDIS,
TIM HENDERSON,
LIAM GALLAGHER,
JEFFREY BEST,
JOHNNY BLIZZARD,
JACQUES LUBBE and
MATTHEW COLWILL

Timothy Moseley, Vice-Chair and Chair of the Panel
M. Cecilia Williams, Commissioner
Lawrence P. Haber, Commissioner

December 18, 2018

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

WHEREAS on December 18, 2018, the Ontario Securities Commission held a hearing at the offices of the Commission, located at 20 Queen Street West, 17th Floor, Toronto, Ontario, to consider the Joint Request for a Settlement Hearing filed by Katanga Mining Limited ("**Katanga**"), Aristotelis Mistakidis ("**Mistakidis**"), Tim Henderson ("**Henderson**"), Liam Gallagher ("**Gallagher**"), Jeffrey Best ("**Best**"), Johnny Blizzard ("**Blizzard**"), Jacques Lubbe ("**Lubbe**"), Matthew Colwill ("**Colwill**") and Staff of the Commission ("**Staff**") for approval of a settlement agreement dated December 14, 2018 (the "**Settlement Agreement**");

ON READING the Statement of Allegations dated December 14, 2018 and the Settlement Agreement and on hearing the submissions of representatives of each of the parties, and on considering Katanga's having made a voluntary payment of $28,500,000 to the Commission, and having paid costs in the amount of $1,500,000 to the Commission;

IT IS ORDERED THAT:

1. the Settlement Agreement is approved;

2. the voluntary payment of $28,500,000 made by Katanga is designated for allocation or use by the Commission in accordance with subclause 3.4(2)(b)(i) or (ii) of the *Securities Act*, RSO 1990, c S.5 (the **Act**);

3. Katanga shall submit to a review of its practices and procedures pursuant to paragraph 4 of subsection 127(1) of the Act by an independent consultant agreed to by Staff and Katanga and paid for by Katanga, as set out in Schedule "A" to this Order, and if necessary, Katanga or Staff, as the case may be, may file a motion requesting the further direction of the Commission, as contemplated in paragraphs B(iv) and C(i) of Schedule "A" to this Order;

4. Mistakidis shall:

   a. be prohibited from becoming or acting as a director or officer of any reporting issuer for a period of 4 years commencing on the date of this Order, pursuant to paragraph 8 of subsection 127(1) of the Act;

   b. pay an administrative penalty in the amount of $2,450,000 by wire transfer to the Commission within 30 days of the date of this Order, pursuant to paragraph 9 of subsection 127(1) of the Act, which amount is designated for allocation or use by the Commission in accordance with subclause 3.4(2)(b)(i) or (ii) of the Act; and

   c. pay costs in the amount of $50,000 by wire transfer to the Commission within 30 days of the date of this Order, pursuant to section 127.1 of the Act;

5. Henderson shall:

   a. be prohibited from becoming or acting as a director or officer of any reporting issuer for a period of 3 years commencing on the date of this Order, pursuant to paragraph 8 of subsection 127(1) of the Act;

b. pay an administrative penalty in the amount of $450,000 by wire transfer to the Commission within 30 days of the date of this Order, pursuant to paragraph 9 of subsection 127(1) of the Act, which amount is designated for allocation or use by the Commission in accordance with subclause 3.4(2)(b)(i) or (ii) of the Act; and

c. pay costs in the amount of $50,000 by wire transfer to the Commission within 30 days of the date of this Order, pursuant to section 127.1 of the Act;

6. Gallagher shall:

a. be prohibited from becoming or acting as a director or officer of any reporting issuer for a period of 6 years commencing on the date of this Order, pursuant to paragraph 8 of subsection 127(1) of the Act;

b. pay an administrative penalty in the amount of $950,000 by wire transfer to the Commission within 30 days of the date of this Order, pursuant to paragraph 9 of subsection 127(1) of the Act, which amount is designated for allocation or use by the Commission in accordance with subclause 3.4(2)(b)(i) or (ii) of the Act; and

c. pay costs in the amount of $50,000 by wire transfer to the Commission within 30 days of the date of this Order, pursuant to section 127.1 of the Act;

7. Best shall:

a. be prohibited from becoming or acting as a director or officer of any reporting issuer for a period of 4 years commencing on the date of this Order, pursuant to paragraph 8 of subsection 127(1) of the Act;

b. pay an administrative penalty in the amount of $750,000 by wire transfer to the Commission within 30 days of the date of this Order, pursuant to paragraph 9 of subsection 127(1) of the Act, which amount is designated for allocation or use by the Commission in accordance with subclause 3.4(2)(b)(i) or (ii) of the Act; and

c. pay costs in the amount of $50,000 by wire transfer to the Commission within 30 days of the date of this Order, pursuant to section 127.1 of the Act;

8. Blizzard shall:

a. resign any position that he holds as a director or officer of a reporting issuer, pursuant to paragraph 7 of subsection 127(1) of the Act, with the exception that Blizzard may hold the position of the CEO of Katanga for a transition period of 30 days from the date of this Order, provided that he has no role in approving or certifying Katanga's 2018 annual financial statements or Management's Discussion & Analysis, after which period Blizzard shall immediately resign as the CEO of Katanga;

b. be prohibited from becoming or acting as a director or officer of any reporting issuer for a period of 2 years commencing on the date of this Order, pursuant to paragraph 8 of subsection 127(1) of the Act, with the exception that Blizzard may:

i. hold the position of the CEO of Katanga for a period of 30 days from the date of this Order as set out above in subparagraph 8(a); and

ii. hold the position of Director of Operations with Katanga for a period of 90 days from the date of his resignation as the CEO of Katanga, provided that Blizzard shall not, directly or indirectly:

A. appoint officers or nominate directors of Katanga;

B. provide instructions or direction to any legal or financial advisors of Katanga, including its external auditor;

C. have signing authority for Katanga, other than the authority to sign such invoices as may be required as part of his role as the Director of Operations;

D. participate in any decisions relating to the compensation of management of Katanga;

E. participate in any decisions of management or the board of directors of Katanga in relation to: (i) financial reporting; (ii) compliance with any obligations that may be applicable to Katanga under Ontario securities law; and (iii) preparation of any disclosure, filing or other document(s) required to be submitted or filed by Katanga under Ontario securities law except as required

by law or in respect of any disclosure describing Blizzard personally or describing his relationship to Katanga;

F. play any role (other than as an investor) in the raising of financing by, or the solicitation of investments in Katanga; and

G. participate in any meeting of the board of Katanga or any committee of the board, unless specifically invited to attend by the independent directors;

c. pay an administrative penalty in the amount of $400,000 by wire transfer to the Commission within 30 days of the date of this Order, pursuant to paragraph 9 of subsection 127(1) of the Act, which amount is designated for allocation or use by the Commission in accordance with subclause 3.4(2)(b)(i) or (ii) of the Act; and

d. pay costs in the amount of $50,000 by wire transfer to the Commission within 30 days of the date of this Order, pursuant to section 127.1 of the Act;

9. Lubbe shall:

a. be prohibited from becoming or acting as a director or officer of any reporting issuer for a period of 4 years commencing on the date of this Order, pursuant to paragraph 8 of subsection 127(1) of the Act;

b. pay an administrative penalty in the amount of $550,000 by wire transfer to the Commission within 30 days of the date of this Order, pursuant to paragraph 9 of subsection 127(1) of the Act, which amount is designated for allocation or use by the Commission in accordance with subclause 3.4(2)(b)(i) or (ii) of the Act; and

c. pay costs in the amount of $50,000 by wire transfer to the Commission within 30 days of the date of this Order, pursuant to section 127.1 of the Act; and

10. Colwill shall:

a. be prohibited from becoming or acting as a director or officer of any reporting issuer for a period of 2 years commencing on the date of this Order, pursuant to paragraph 8 of subsection 127(1) of the Act;

b. pay an administrative penalty in the amount of $350,000 by wire transfer to the Commission within 30 days of the date of this Order, pursuant to paragraph 9 of subsection 127(1) of the Act, which amount is designated for allocation or use by the Commission in accordance with subclause 3.4(2)(b)(i) or (ii) of the Act; and

c. pay costs in the amount of $50,000 by wire transfer to the Commission within 30 days of the date of this Order, pursuant to section 127.1 of the Act.

“Timothy Moseley”

“M. Cecilia Williams”

“Lawrence P. Haber”

SCHEDULE "A"

IN THE MATTER OF
KATANGA MINING LIMITED,
ARISTOTELIS MISTAKIDIS,
TIM HENDERSON,
LIAM GALLAGHER,
JEFFREY BEST,
JOHNNY BLIZZARD,
JACQUES LUBBE and
MATTHEW COLWILL

TERMS OF REFERENCE FOR THE CONSULTANT

In connection with Katanga's agreement to submit to a review of its practices and procedures pursuant to paragraph 4 of subsection 127(1) of the Act by an independent consultant (the "**Consultant**"), the Consultant is required to conduct, in accordance with the following terms, a comprehensive examination and review of Katanga's metal accounting with respect to reporting of copper and cobalt metal production ("**Production**").

A. Scope of Review

The agreement with the Consultant shall provide that the Consultant examine at Katanga's expense:

i. The policies, procedures and effectiveness of: (a) Katanga's metal accounting with respect to reporting of Production; and (b) Katanga's financial accounting with respect to the integration of production statistics, including the calculation of cost of sales and inventory values; and

ii. In light of the findings with respect to A.i, whether any consequential changes directly related to such metal accounting or related financial accounting should be made in the policies and procedures followed by Katanga to prepare the disclosure documents filed by it to satisfy Ontario securities law requirements applicable to reporting issuers.

B. Consultant's Reporting Obligations

i. The Consultant shall issue a report to Katanga's board of directors, its audit committee, and to Staff within three months of appointment, provided however, that the Consultant may seek to extend the period of review for one additional three-month term by requesting such an extension from Staff. After consultation with Katanga, Staff shall have discretion to grant such extension for the period requested if deemed reasonable and warranted.

ii. The Consultant's report shall address the Consultant's review of the areas specified in paragraphs A.i and A.ii above and shall include a description of the review performed, the conclusions reached, and the Consultant's recommendations for any changes or improvements, having regard to Katanga's size, industry and shareholder structure, and to best practices. In addition, any recommendation for changes or improvements shall be accompanied by a recommended procedural change which shall take into account any relevant remediation proposals put forward by Katanga.

iii. Katanga shall adopt all recommendations contained in the Consultant's report, provided, however, that within forty-five days of its receipt of the report, Katanga shall, in writing, advise the Consultant and Staff of any recommendation that it considers to be unnecessary, unworkable or otherwise inappropriate. With respect to any recommendation that Katanga considers unnecessary, unworkable or otherwise inappropriate, Katanga need not adopt that recommendation at that time but shall explain in writing why the recommendation is unnecessary or propose in writing to the Consultant an alternative policy, procedure, or system designed to achieve the same objective or purpose on a basis that is workable and appropriate, for consideration by the Consultant.

iv. As to any recommendations of the Consultant with respect to which Katanga and the Consultant do not agree, including any recommendations that Katanga considers unnecessary, unworkable or otherwise inappropriate, such parties shall attempt in good faith to reach an agreement within ninety days of the receipt of the Consultant's report. In the event Katanga and the Consultant are unable to agree on an alternative proposal, Katanga shall file a motion, on notice to Staff, asking the Commission to resolve the disagreement.

v. Katanga shall retain the Consultant for a period of twelve months from the date of appointment in accordance with paragraph C below. After the Consultant's recommendations become final pursuant to this paragraph B,

the Consultant shall provide a report to Katanga's board of directors, its audit committee, and to Staff twelve months after appointment concerning the progress of the implementation. If, at the conclusion of this twelve-month period, there remain any recommendations deemed significant by Staff that have not been substantially implemented for at least two successive fiscal quarters, Staff may, in its discretion, direct Katanga to extend the Consultant's term of appointment until such time as all recommendations (to the extent deemed significant by Staff) have been substantially implemented for at least two successive fiscal quarters.

vi. In addition to the reports identified above, the Consultant shall provide Katanga's board of directors, its audit committee, and Staff with such documents or other information concerning the areas specified in paragraph A.i and A.ii above as any of them may request during the pendency or at the conclusion of the review.

C. Terms of Consultant's Retention

i. Within forty-five days after the date of the Order, Katanga will submit to Staff a proposal setting forth the identity, qualifications, and proposed terms of retention of the Consultant. Staff, within thirty days of such notice, will either: (a) deem Katanga’s choice of Consultant and proposed terms of retention not unacceptable; or (b) require Katanga to propose an alternative Consultant and/or revised proposed terms of retention within fifteen days. If the alternative Consultant and/or revised proposed terms of retention is unacceptable to Staff, Staff may (a) grant Katanga an extension of time to propose a further alternative Consultant and/or revised proposed terms of retention or, if no such extension is granted, (b) file a motion with the Commission on notice to Katanga for an order directing Katanga to appoint a Consultant nominated by Staff, on terms of retention that are proposed by Katanga and are not unacceptable to Staff.

ii. The Consultant shall have reasonable access to all of Katanga's books and records including those of KCC and the ability to meet privately with Katanga's personnel and auditors pertaining to policies, procedures and accounting related to its metal accounting. Katanga shall instruct and otherwise encourage its officers, directors, and employees to cooperate fully with the review conducted by the Consultant, and inform its officers, directors, and employees that failure to cooperate with the review may be grounds for dismissal, other disciplinary actions, or other appropriate actions.

iii. The Consultant shall have the right, as reasonable and necessary in his or her judgment but only after consultation with Katanga, to retain, at Katanga's expense, legal counsel, accountants, and other persons or firms, other than officers, directors, or employees of Katanga, where necessary for the discharge of the Consultant's obligations. Katanga shall pay all reasonable fees and expenses (as reasonably documented) of any persons or firms retained by the Consultant.

iv. The Consultant shall make and keep notes of interviews conducted, and keep a copy of documents gathered, in connection with the performance of his or her responsibilities, and require all persons and firms retained to assist the Consultant to do so as well.

v. If the Consultant determines that he or she has a conflict with respect to one or more of the areas described in paragraph A.i or A.ii above, he or she shall delegate his or her responsibilities with respect to that subject to a person who is chosen by the Consultant and who is not unacceptable to Staff.

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Chapter 3

Reasons: Decisions, Orders and Rulings

3.1 OSC Decisions

3.1.1 Katanga Mining Limited et al. – ss. 127, 127.1

IN THE MATTER OF
KATANGA MINING LIMITED,
ARISTOTELIS MISTAKIDIS,
TIM HENDERSON,
LIAM GALLAGHER,
JEFFREY BEST,
JOHNNY BLIZZARD,
JACQUES LUBBE and
MATTHEW COLWILL

ORAL REASONS FOR APPROVAL OF A SETTLEMENT
(Sections 127 and 127.1 of the
***Securities Act*, RSO 1990, c S.5)**

Citation: *Katanga Mining Limited (Re)*, 2018 ONSEC 59
Date: 2018-12-18
File No.: 2018-76

Hearing:	December 18, 2018	
Decision:	December 18, 2018	
Panel:	Timothy Moseley M. Cecilia Williams Lawrence P. Haber	Vice-Chair and Chair of the Panel Commissioner Commissioner
Appearances:	Carlo Rossi Alvin Qian	For Staff of the Commission
	Alan P. Gardner Amanda C. McLachlan	For Katanga Mining Limited
	Tom Curry Shara N. Roy	For Aristotelis Mistakidis
	Nigel Campbell Doug McLeod	For Tim Henderson
	Harry Underwood Jeffrey Haylock	For Liam Gallagher
	James W.E. Doris	For Jeffrey Best and Matthew Colwill
	Wendy Berman John M. Picone	For Johnny Blizzard
	Craig Lockwood	For Jacques Lubbe

REASONS AND DECISION

The following reasons have been prepared for publication in the Ontario Securities Commission Bulletin, based on the reasons delivered orally at the hearing, and as edited and approved by the Panel, to provide a public record.

[1] Staff of the Commission has made various allegations against one corporate respondent and seven individual respondents. The purpose of today's hearing is to consider a settlement agreement between Staff and all eight respondents relating to those allegations.

[2] Katanga Mining Limited, the corporate respondent, is a TSX-listed reporting issuer that operates copper and cobalt mining and refinery facilities in the Democratic Republic of the Congo. A substantial majority of Katanga's shares are owned by Glencore plc, a company listed on the London Stock Exchange. Glencore financed Katanga's operations and was, essentially, Katanga's only customer. Glencore is not a respondent in this proceeding.

[3] The other seven respondents are individuals who were officers and/or directors of Katanga. They include three people who were at various times members of Glencore's senior management, and Glencore nominee directors of Katanga. Those three individuals, who exercised significant influence over operational and financial decisions at Katanga, are:

a. Liam Gallagher, who was also a member of Katanga's Audit Committee;

b. Tim Henderson; and

c. Aristotelis Mistakidis, to whom Messrs. Gallagher and Henderson reported.

[4] The four other individual respondents are Jeffrey Best, Johnny Blizzard, Jacques Lubbe and Matthew Colwill. Each of them was, for some time, the CEO or the CFO of Katanga.

[5] All eight respondents have admitted that between 2012 and 2017, they contravened Ontario securities law in a number of ways. Staff and the respondents have agreed to various sanctions and other measures, and to the payment of costs by the respondents. While the terms of the settlement have been agreed to by the parties, we must decide whether the settlement should be approved.

[6] The background is set out in detail in the settlement agreement, and we will not repeat it here. To summarize, though, Staff's allegations fall into three categories:

a. first, materially misleading disclosure, over a number of years, relating to Katanga's copper production and its financial performance;

b. second, failures and disclosure inadequacies relating to Katanga's corporate governance, internal controls, and procedures, including a failure to disclose a material weakness in its Management Discussion & Analysis (**MD&A**); and

c. third, inadequate disclosure regarding Katanga's reliance on, and payments to, individuals and entities associated with one particular individual, and regarding its operating environment, including the risk of public sector corruption in the Democratic Republic of the Congo.

[7] With respect to financial disclosure, in 2017 Katanga announced that it had begun an internal review of certain of its accounting practices. That review was led by Katanga's independent directors and was undertaken with the assistance of professional external advisors, and the cooperation and assistance of management, including the individual respondents. Following that review, Katanga ended up restating certain of its financial results and its MD&A.

[8] Katanga agrees that improper accounting adjustments had resulted in understatement of Katanga's cost of sales by approximately US$88 million per year, and repeated overstatement of Katanga's fixed assets by approximately US$117 million. Improper recording of copper cathode production resulted in misstatements on the order of thousands of tonnes, with resulting financial misstatements of tens of millions of dollars. The settlement agreement reviews these and other misstatements in detail.

[9] Katanga admits that it contravened Ontario securities law by:

a. making statements that were materially misleading in its Annual Information Forms, financial statements and MD&A;

b. failing to maintain adequate internal controls over financial reporting, and adequate disclosure controls and procedures; and

c. failing to disclose material weaknesses in its internal controls over financial reporting.

[10] The individual respondents have not agreed to the facts relating to Katanga's misleading risk disclosure. With respect to Katanga's other breaches of Ontario securities law, the involvement of the individual respondents varies from one respondent to another, both in terms of the relevant time period, and the extent of the involvement.

[11] The settlement agreement contains the details, and makes the distinctions clear, but all individual respondents admit that they authorized, permitted or acquiesced in some of Katanga's breaches. In addition, Messrs. Best, Blizzard, Lubbe and Colwill, each of whom was the CEO or the CFO of Katanga at some point, contravened Ontario securities law by certifying misleading disclosure issued by Katanga.

[12] All eight respondents admit that their conduct was also contrary to the public interest.

[13] A central theme in this case is the inadequacies in the tone from the top and in the culture of compliance at Katanga. The individual respondents admit that they were responsible for establishing and enforcing a culture of compliance, and that their conduct undermined Katanga's corporate governance and internal controls. Their failure to discharge their obligation contributed to a culture in which staff of Katanga failed to adhere to policies, and overrode internal controls.

[14] The misconduct in this case was serious. It resulted in material misstatements and failures to make adequate disclosure. As Staff has submitted, these failures strike at the heart of the protections afforded by proper disclosure, on which investors must be entitled to rely.

[15] The failures warrant a substantial response, of the kind reflected in the settlement agreement. The principal terms of the settlement are as follows:

a. Katanga has made a voluntary payment of $28.5 million, and has paid costs of $1.5 million;

b. Katanga will submit to a review, at its own expense and by an independent consultant, of its policies and procedures relating to metal accounting and the integration of production statistics into its financial accounting, and Katanga will implement necessary changes to those policies and procedures;

c. the individual respondents will pay administrative penalties ranging from $350,000 to $2.45 million;

d. each individual respondent will pay costs of $50,000; and

e. each individual respondent will be prohibited from acting as a director or officer of any reporting issuer for a period ranging from two years to six years, with a minor, limited and temporary exception for Mr. Blizzard, the current CEO of Katanga.

[16] Our role is to determine whether the negotiated result falls within a range of reasonable outcomes, and whether it would be in the public interest to make the order requested.

[17] We have reviewed this agreement in detail, and we recently conducted a confidential settlement conference with counsel for all parties. We asked questions of counsel and we heard their submissions. With the benefit of that session and our review, we conclude that it would be in the public interest to approve this settlement.

[18] In making that decision, we recognize that the agreement is the product of negotiation between Staff and the respondents, all ably represented by counsel. The Commission respects the negotiation process and accords significant deference to the resolution reached by the parties.

[19] We have also taken account of the fact that approval of this settlement would resolve the matter promptly, efficiently and with certainty. A settlement avoids the expenditure of significant resources that would be associated with a contested hearing.

[20] In our view, the voluntary payment, the administrative penalties and the prohibitions against the individuals acting as directors or officers properly reflect the principles applicable to sanctions, including:

a. the recognition of the seriousness of misconduct;

b. the importance of fostering investor protection and confidence in the capital markets; and

c. the need for specific and general deterrence.

[21] The payment of costs helps to reduce the burden on market participants to pay for investigations and enforcement proceedings.

[22] Finally, the review to be conducted by the independent consultant, and the implementation of necessary changes, will further protect the capital markets from harm caused by improper practices.

[23] We will therefore issue an order substantially in the form of the draft attached to the settlement agreement.

[24] A final word: This is a complex matter involving many divergent interests, as is evident from the number of counsel involved. We have no doubt that it was not easy to reach this resolution, and that doing so involved significant commitments of time, money and effort. We appreciate those efforts and the able assistance of counsel.

Dated at Toronto this 18th day of December, 2018.

“Timothy Moseley”

“M. Cecilia Williams”

“Lawrence P. Haber”

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
Bougainville Ventures Inc.	04 December 2018	17 December 2018
CellCube Energy Storage Systems Inc.	02 November 2018	11 December 2018
Mainstream Minerals Corporation	25 April 2016	11 December 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
Blocplay Entertainment Inc.	04 December 2018	
Katanga Mining Limited	15 August 2017	

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Chapter 5

Rules and Policies

5.1.1 Amendments to National Instrument 81-102 Investment Funds

AMENDMENTS TO
NATIONAL INSTRUMENT 81-102 *INVESTMENT FUNDS*

1. National Instrument 81-102 Investment Funds is amended by this Instrument.

2. Section 1.1 is amended

(a) by repealing the definition of "acceptable clearing corporation***",***

(b) in the definition of "cash cover" by replacing "a mutual fund***" with "***an investment fund***", and by replacing "***the mutual fund***" with "***the investment fund***" wherever it occurs,***

(c) in the definition of "clearing corporation***" by replacing "***options or standardized futures***" with "***specified derivatives***",***

(d) by repealing the definition of "fixed portfolio ETF",

(***e) in the definition of "***illiquid asset***" by replacing "***mutual fund***" with "***investment fund***" in paragraph (a) and by replacing "***a mutual fund, the resale of which is prohibited by a representation, undertaking or agreement by the mutual fund or by the predecessor in title of the mutual fund***" with "***an investment fund***" in paragraph (b),***

(f) by repealing the definition of "Joint Regulatory Financial Questionnaire and Report***",***

(g) by repealing the definition of "permitted gold certificate***",***

(***h) in the definition of "physical commodity" by adding "***electricity, water, or,***" before "***in an original or processed state***",***

(i) by replacing the definition of "public quotation" with the following:

"public quotation" includes, for the purposes of calculating the amount of illiquid assets held by an investment fund, any quotation of a price for any of the following:

(a) a fixed income security made through the inter-dealer bond market,

(b) a foreign currency forward or foreign currency option in the interbank market;***,***

(j) in the definition of "restricted security" by replacing "mutual fund or by the mutual fund's predecessor***" with "***investment fund or by the investment fund's predecessor***", and***

(k) by adding the following definitions:

"alternative mutual fund" means a mutual fund, other than a precious metals fund, that has adopted fundamental investment objectives that permit it to invest in physical commodities or specified derivatives, to borrow cash or engage in short selling in a manner not permitted for other mutual funds under this Instrument;***,***

"cleared specified derivative" means a bilateral specified derivative that is accepted for clearing by a regulated clearing agency;***,***

"fixed portfolio investment fund" means an exchange traded mutual fund not in continuous distribution or a non-redeemable investment fund that

(a) has fundamental investment objectives that include holding and maintaining a fixed portfolio of publicly traded equity securities of one or more issuers the names of which are disclosed in its prospectus, and

(b) trades the securities referred to in paragraph (a) only in the circumstances disclosed in its prospectus;***,***

"non-redeemable investment fund" has the meaning ascribed to that term in National Instrument 81-106 *Investment Fund Continuous Disclosure*;***,***

"permitted precious metal" means gold, silver, platinum or palladium;***,***

"permitted precious metal certificate" means a certificate representing a permitted precious metal if the permitted precious metal is held in Canada in the form of bars or wafers and is

(a) available for delivery in Canada, free of charge, to or to the order of the holder of the certificate,

(b) in the case of a certificate representing gold, of a minimum fineness of 995 parts per 1000,

(c) in the case of a certificate representing silver, platinum or palladium, of a minimum fineness of 999 parts per 1000, and

(d) if not purchased from a bank listed in Schedule, I, II or III of the *Bank Act* (Canada), fully insured against loss and bankruptcy by an insurance company licensed under the laws of Canada or a jurisdiction;***,***

"precious metals fund" means a mutual fund that has adopted a fundamental investment objective to invest primarily in one or more permitted precious metals;***, and***

"regulated clearing agency" has the meaning ascribed to that term in National Instrument 94-101 *Mandatory Central Counterparty Clearing of Derivatives*;**.**

3. Section 1.2 is amended

(a) in paragraph 1.2(3)(a) by replacing "sections 2.12 to 2.17;***" with "***section 2.6.1 and sections 2.7 to 2.17;***", and***

(b) by adding the following subsection:

(5) Despite paragraph (1)(a.1), the following provisions do not apply to a non-redeemable investment fund that was established before October 4, 2018, unless the fund has filed a prospectus for which a receipt was issued after that date:

(a) sections 2.1 and 2.4,

(b) paragraphs 2.6(1)(a), (b) and (c), and subsection 2.6(2), and

(c) sections 2.6.1, 2.6.2 and 2.9.1**.**

4. Section 2.1 is amended

(a) in subsection (1) by replacing "A mutual fund***" with "***A mutual fund, other than an alternative mutual fund,***", by replacing "***index participation units***" with "***an index participation unit***", by replacing "***10 percent***" with "***10%***"and by adding "***one***" after "***any***",***

(b) by adding the following subsection:

(1.1) An alternative mutual fund or a non-redeemable investment fund must not purchase a security of an issuer, enter into a specified derivatives transaction or purchase an index participation unit if, immediately after the transaction, more than 20% of its net asset value would be invested in securities of any one issuer.**,**

(c) ***in subsection (2) by replacing "***Subsection (1) does***" with "***Subsections (1) and (1.1) do***", by replacing "***a mutual fund***" with "***an investment fund***" wherever it occurs, and in paragraph (e) by replacing "***fixed portfolio ETF***" with "***fixed portfolio investment fund***",***

(d) ***by replacing subsection (3) with the following:***

(3) For the purposes of this section, for each long position in a specified derivative that is held by an investment fund for a purpose other than hedging and for each index participation unit held by the investment fund, the investment fund is considered to hold directly the underlying interest of that specified derivative or its proportionate share of the securities held by the issuer of the index participation unit.***, and***

(e) ***by replacing subsection (4) with the following:***

(4) Despite subsection (3), for the purposes of this section, an investment fund is considered to not hold a security or instrument if that security or instrument is a component of, but represents less than 10% of,

(a) a stock or bond index that is the underlying interest of a specified derivative, or

(b) the securities held by the issuer of an index participation unit.**.**

5. ***Section 2.3 is amended***

(***a)*** ***in subsection (1) by adding "***do any of the following:***" after "***must not***",***

(b) ***in paragraph (1)(c) by replacing "***10 percent***" with "***10%***",***

(c) ***by replacing paragraph (1)(d) with the following:***

(d) purchase a precious metal certificate, other than a permitted precious metal certificate;***,***

(d) ***by replacing paragraph (1)(e) with the following:***

(e) purchase a permitted precious metal, a permitted precious metal certificate, or a specified derivative of which the underlying interest is a physical commodity if, immediately after the purchase, more than 10% of the mutual fund's net asset value would be made up of permitted precious metals, permitted precious metal certificates, or specified derivatives of which the underlying interests are physical commodities;***,***

(e) ***by replacing paragraph (1)(f) with the following:***

(f) purchase a physical commodity, except to the extent permitted by paragraph (d) or (e);***,***

(f) ***by adding "***or***" to the end of paragraph (1)(g),***

(g) ***by repealing paragraph (1)(h),***

(h) ***by adding the following subsections:***

(1.1) Paragraphs (1)(d), (e) and (f) do not apply to an alternative mutual fund.

(1.2) Paragraph (1)(e) does not apply to a precious metals fund with respect to purchasing a permitted precious metal, a permitted precious metal certificate or a specified derivative of which the underlying interest is one or more permitted precious metals.***, and***

(i) ***by adding the following subsections:***

(3) For the purposes of this section, for each long position in a specified derivative that is held by an investment fund for a purpose other than hedging and for each index participation unit or underlying investment fund held by the investment fund, the investment fund is considered to hold directly the underlying interest of that specified derivative or its proportionate share of the assets held by the issuer of the index participation unit or underlying investment fund.

(4) Despite subsection (3), for the purposes of this section, an investment fund is considered to not hold a security or instrument if that security or instrument is a component of, but represents less than 10% of,

(a) a stock or bond index that is the underlying interest of a specified derivative, or

(b) the securities held by the issuer of an index participation unit or underlying investment fund.*.*

6. Section 2.4 is amended

(a) by replacing "percent***" with "***%***" wherever it occurs,***

(b) in subsection (2) by replacing "must not have invested,***" with "***must not hold,***", and***

(c) by adding the following subsections:

(4) A non-redeemable investment fund must not purchase an illiquid asset if, immediately after the purchase, more than 20% of its net asset value would be made up of illiquid assets.

(5) A non-redeemable investment fund must not hold, for a period of 90 days or more, more than 25% of its net asset value in illiquid assets.

(6) If more than 25% of the net asset value of a non-redeemable investment fund is made up of illiquid assets, the non-redeemable investment fund must, as quickly as commercially reasonable, take all necessary steps to reduce the percentage of its net asset value made up of illiquid assets to 25% or less.*.*

7. Subsection 2.5(2) is amended

(a) by replacing paragraph (a) with the following:

(a) if the investment fund is a mutual fund, other than an alternative mutual fund, either of the following applies:

(i) the other investment fund is a mutual fund, other than an alternative mutual fund, that is subject to this Instrument;

(ii) the other investment fund is an alternative mutual fund or a non-redeemable investment fund that is subject to this Instrument and, at the time of the purchase of that security, the investment fund holds no more than 10% of its net asset value in securities of alternative mutual funds and non-redeemable investment funds,*,*

(b) in paragraph (a.1) by adding "an alternative mutual fund or***" before "***a non-redeemable investment fund***" wherever it occurs,***

(c) by replacing paragraph (c) with the following:

(c) the other investment fund is a reporting issuer in a jurisdiction,*, and*

(d) by repealing paragraph (c.1).

8. Subsection 2.5(3) is amended by replacing "(a.1), (c) and (c.1)***" with "***(a.1) and (c)***".***

9. Subsection 2.5(5) is replaced with the following:

(5) Paragraphs (2)(e) and (f) do not apply to brokerage fees incurred for the purchase or sale of securities issued by an investment fund that are listed for trading on a stock exchange.*.*

10. Section 2.6 is amended

(a) by adding "Borrowing and Other***" before "***Investment Practices***" in the heading,***

(b) by renumbering it as subsection 2.6(1),

(c) ***in subsection (1) by replacing "***not,***" with "***not***",***

(d) ***in paragraph (1)(a) by deleting "***in the case of a mutual fund,***",***

(e) ***in subparagraph (1)(a)(i) replacing "***mutual fund***" with "***investment fund***" wherever it occurs, and by replacing "***five percent***" with "***5%***",***

(f) ***in subparagraph (1)(a)(ii) and (iii) by replacing "***mutual fund***" with "***investment fund***",***

(g) ***in subparagraph (1)(a)(iv) by adding "***or a non-redeemable investment fund***" after "***continuous distribution***",***

(h) ***in paragraphs (1)(b) and (c) by deleting "***in the case of a mutual fund,***", and***

(i) ***by adding the following subsection:***

(2) Despite paragraphs (1)(a) and (b), an alternative mutual fund or a non-redeemable investment fund may borrow cash or provide a security interest over any of its portfolio assets if each of the following apply:

(a) any borrowing of cash is

(i) from an entity described in section 6.2 or 6.3, and

(ii) if the lender is an affiliate or associate of the investment fund manager of the alternative mutual fund or non-redeemable investment fund, under a borrowing agreement approved by the independent review committee as required under section 5.2 of NI 81-107;

(b) the borrowing agreement is in accordance with normal industry practice and on standard commercial terms for the type of transaction;

(c) the value of cash borrowed, when aggregated with the value of all outstanding borrowing by the alternative mutual fund or non-redeemable investment fund, does not exceed 50% of the alternative mutual fund or non-redeemable investment fund's net asset value..

11. Subsection 2.6.1(1) is amended

(a) ***by replacing "***A mutual fund***" with "***An investment fund***",***

(b) ***in subparagraph (b)(i), by replacing "***mutual fund***" with "***investment fund***", and***

(c) ***by replacing paragraph (c) with the following:***

(c) at the time the investment fund sells the security short,

(i) the investment fund has borrowed or arranged to borrow from a borrowing agent the security that is to be sold under the short sale,

(ii) if the investment fund is a mutual fund, other than an alternative mutual fund, the aggregate market value of the securities of the issuer of the securities sold short by the mutual fund does not exceed 5% of the net asset value of the mutual fund,

(iii) if the investment fund is a mutual fund, other than an alternative mutual fund, the aggregate market value of the securities sold short by the mutual fund does not exceed 20% of the net asset value of the mutual fund,

(iv) if the investment fund is an alternative mutual fund or a non-redeemable investment fund, the aggregate market value of the securities of the issuer of the securities sold short by the investment fund, other than government securities sold short by an alternative mutual fund or non-redeemable investment fund, does not exceed 10% of the net asset value of the investment fund, and

(v) if the investment fund is an alternative mutual fund or a non-redeemable investment fund, the aggregate market value of the securities sold short by the investment fund does not exceed 50% of the net asset value of the investment fund.*.*

12. ***Subsection 2.6.1(2) is amended by replacing "***A mutual fund***" with "***A mutual fund, other than an alternative mutual fund,***" and by replacing "***all" ***with "***the***" after "***aggregate market value of***".***

13. ***Subsection 2.6.1(3) is amended by replacing "***A mutual fund***" with "***A mutual fund ,other than an alternative mutual fund,***".***

14. ***The Instrument is amended by adding the following section:***

2.6.2 Total Borrowing and Short Sales

(1) Despite sections 2.6 and 2.6.1, an investment fund must not borrow cash or sell securities short if, immediately after entering into a cash borrowing or short selling transaction, the aggregate value of cash borrowed combined with the aggregate market value of the securities sold short by the investment fund would exceed 50% of the investment fund's net asset value.

(2) Despite sections 2.6 and 2.6.1, if the aggregate value of cash borrowed combined with the aggregate market value of the securities sold short by the investment fund exceeds 50% of the investment fund's net asset value, the investment fund must, as quickly as is commercially reasonable, take all necessary steps to reduce the aggregate value of cash borrowed combined with the aggregate market value of securities sold short to 50% or less of the investment fund's net asset value.*.*

15. ***Section 2.7 is amended***

(a) ***in subsection (1) by replacing "***A mutual fund***" with "***An investment fund***", by adding "***forward***" before "***contract***" in paragraphs (1)(b) and (c), by replacing "***rating.***" with "***rating;***", in paragraph (c) and by adding the following paragraph:***

(d) the option, debt-like security, swap or forward contract is a cleared specified derivative.*,*

(b) ***by replacing subsection (2) with the following:***

(2) If the credit rating of an option, debt-like security, swap or forward contract, or the credit rating of the equivalent debt of the writer or guarantor of the option, debt-like security, swap or forward contract, falls below the level of designated rating while the option, debt-like security, swap or forward contract is held by an investment fund , the investment fund must take the steps that are reasonably required to close out its position in the option, debt-like security, swap or forward contract in an orderly and timely fashion, unless either of the following applies:

(a) the option is a clearing corporation option;

(b) the option, debt-like security, swap or forward contract is a cleared specified derivative.*,*

(c) ***in subsection (3) by replacing "***a mutual fund***" with "***an investment fund***",***

(d) ***by replacing subsection (4) with the following:***

(4) The mark-to-market value of the exposure of an investment fund under its specified derivatives positions with any one counterparty, calculated in accordance with subsection (5), must not exceed, for a period of 30 days or more, 10% of the net asset value of the investment fund unless either of the following applies:

(a) the specified derivative is a cleared specified derivative;

(b) the equivalent debt of the counterparty, or of a person or company that has fully and unconditionally guaranteed the obligations of the counterparty in respect of the specified derivative, has a designated rating.*,*

(e) ***in subsection (5) by replacing "***a mutual fund***" with "***an investment fund,***" and by replacing "***the mutual fund***" with "***the investment fund***" wherever it occurs, and***

(f) by adding the following subsection:

(6) Subsections (1), (2) and (3) do not apply to an alternative mutual fund or a non-redeemable investment fund.*.*

16. Section 2.8 is amended by adding the following subsection:

(0.1) This section does not apply to an alternative mutual fund.*.*

17. The Instrument is amended by adding the following section:

2.9.1 Aggregate Exposure to Borrowing, Short Selling and Specified Derivatives

(1) An alternative mutual fund or non-redeemable investment fund's aggregate exposure to cash borrowing, short selling and specified derivatives transactions must not exceed 300% of the fund's net asset value.

(2) For the purposes of subsection (1), an alternative mutual fund or non-redeemable investment fund's aggregate exposure is the sum of the following:

(a) the aggregate value of the alternative mutual fund's or non-redeemable investment fund's outstanding indebtedness under any borrowing agreements to which subsection 2.6(2) applies,

(b) the aggregate market value of all securities sold short by the alternative mutual fund or non-redeemable investment fund as permitted by section 2.6.1, and

(c) the aggregate notional amount of the alternative mutual fund's or non-redeemable investment's fund's specified derivatives positions, minus the aggregate notional amount of the specified derivative positions that are hedging transactions.

(3) For the purposes of this section the alternative mutual fund or non-redeemable investment fund must include in its calculation its proportionate share of the assets of any underlying investment fund for which a similar calculation is required.

(4) An alternative mutual fund or non-redeemable investment fund must determine its aggregate exposure in accordance with subsection (2) as of the close of business of each day on which it calculates a net asset value.

(5) If the alternative mutual fund or non-redeemable investment fund's aggregate exposure as determined in accordance with subsection (2) exceeds 300% of its net asset value, the alternative mutual fund or non-redeemable investment fund must, as quickly as is commercially reasonable, take all necessary steps to reduce the aggregate exposure to 300% its net asset value or less.*.*

18. Section 2.11 is amended by adding the following subsection:

(0.1) This section does not apply to an alternative mutual fund.*.*

19. Section 6.2 is amended in paragraph 3.(a) by deleting "that have been made public,***".***

20. Section 6.3 is amended in paragraph 3.(a) by deleting "that have been made public,***".***

21. Subsection 6.8(1) is amended

(a) by adding "Borrowing,***" before "***Derivatives***" in the heading,***

(b) by replacing "futures or***" with "***futures,***",***

(c) by adding "or cleared specified derivatives with a member of a regulated clearing agency or***" after "***standardized futures***",***

(d) by adding "member or***" after "***margin already held by the***", and***

(e) by replacing "10 percent***" with "***10%***".***

22. Subsection 6.8(2) is amended

(a) by adding "member of a regulated clearing agency or with a***" after "***portfolio assets with a***", by replacing "***or***" with "***,***" after "***options on futures***" and by adding "***or cleared specified derivatives***" after "***standardized futures"***,***

(b) in paragraph (a) by replacing "in the case of standardized futures and options on futures, the***" with "***the member or***", by adding "***regulated clearing agency,***" before "***futures exchange***", by deleting "***, in the case of clearing corporation options, is a member of a***", by replacing "***either case***" with "***any case***" and by replacing "***;***" with "***,***",***

(c) in paragraph (b) by adding "member or***" before "***dealer***", by deleting "***that have been made public***" and by replacing "***;***" with "***,***", and***

(d) in paragraph (c) by adding "member or***" before "***dealer***", and by replacing "***10 percent" with "***10%***".***

23. Section 6.8 is amended by adding the following subsection:

(3.1) An investment fund may deposit with its lender, portfolio assets over which it has granted a security interest in connection with a borrowing agreement to which section 2.6 applies***.***

24. Subsection 6.8(4) is amended by replacing "(2) or (3)***" with "***(2), (3) or (3.1)***".***

25. Subsection 6.8(5) is amended by adding "borrowing,***" before "***securities lending***".***

26. Section 6.8.1 is amended

(a) by replacing subsection (1) with the following:

(1) Unless the borrowing agent is the investment fund's custodian or sub-custodian, if an investment fund deposits portfolio assets with a borrowing agent as security in connection with a short sale of securities, the market value of portfolio assets deposited with the borrowing agent must not, when aggregated with the market value of portfolio assets already held by the borrowing agent as security for outstanding short sales of securities by the investment fund,

(a) in the case of a mutual fund, other than an alternative mutual fund, exceed 10% of the net asset value of the mutual fund at the time of deposit, and

(b) in the case of an alternative mutual fund or a non-redeemable investment fund, exceed 25% of the net asset value of the alternative mutual fund or non-redeemable investment fund at the time of deposit***., and***

(b) in paragraph (3)(b) by deleting "that have been made public***".***

27. Section 7.1 is amended

(a) by renumbering it as subsection 7.1(1),

(b) in subsection (1) by replacing "A mutual fund***" with "***A mutual fund, other than an alternative mutual fund,***", and by replacing "***, unless***" with "***unless***", and***

(c) by adding the following subsection:

(2) An alternative mutual fund must not pay, or enter into arrangements that would require it to pay, and must not sell securities of an alternative mutual fund on the basis that an investor would be required to pay, a fee that is determined by the performance of the alternative mutual fund unless

(a) the payment of the fee is based on the cumulative total return of the alternative mutual fund for the period that began immediately after the last period for which the performance fee was paid, and

(b) the method of calculating the fee is described in the alternative mutual fund's prospectus***.***

28. Paragraph 9.1.1(b) is amended by adding "short***" before "***position***".***

29. Section 10.1 is amended by adding the following subsection:

(2.1) If disclosed in its prospectus, an alternative mutual fund may include, as part of the requirements contemplated in subsection (2), a provision that securityholders of the alternative mutual fund may not redeem their securities for a period up to 6 months after the date on which the receipt is issued for the initial prospectus of the alternative mutual fund.*.*

30. Section 10.3 is amended by adding the following subsection:

(5) Despite subsection (1), an alternative mutual fund may redeem securities of the alternative mutual fund at a price that is equal to the net asset value for those securities determined on the first or second business day after the date of receipt by the alternative mutual fund of the redemption order if

(a) the alternative mutual fund has established a policy providing for the redemption price to be calculated on such a basis, and

(b) the policy has been disclosed in the alternative mutual fund's prospectus before the policy's implementation.*.*

31. Subsection 10.4(1.1) is amended by adding "or an alternative mutual fund or***" after "***continuous distribution***".***

32. Subsection 15.13(2) is amended by replacing "a commodity pool***" with "***an alternative mutual fund***" wherever it occurs and by deleting "a***s defined in National Instrument 81-104 *Commodity Pools*".***

33. Appendix A – Futures Exchanges for the Purpose of Subsection 2.7(4) – Derivative Counterparty Exposure Limits is repealed.

Transition

34. If a commodity pool, as that term was defined in National Instrument 81-104 *Commodity Pools* on January 2, 2019, has filed a prospectus for which a receipt was granted on or before that date, this Instrument does not apply to that commodity pool until July 4, 2019.

Effective Date

35. This Instrument comes into force on January 3, 2019.

5.1.2 Changes to Commentary to National Instrument 81-102 Investment Funds

CHANGES TO COMMENTARY TO
NATIONAL INSTRUMENT 81-102 *INVESTMENT FUNDS*

1. National Instrument 81-102 Investment Funds is changed by this document.

2. The Commentary to Item 1 of Appendix F – Investment Risk Classification Methodology is changed by adding the following after Commentary (2):

(3) In deciding whether to exercise the discretion to increase a mutual fund's investment risk level as permitted in subsection (2) above, consideration should be given as to whether the standard deviation calculation applied under the Investment Risk Classification Methodology may result in a risk level that is below the manager's own expectations for the mutual fund. This can occur, for example, when a mutual fund employs investment strategies that produce an atypical or non-normal distribution of performance results. In such circumstances mutual funds are encouraged to consider supplementing the Investment Risk Classification Methodology with other factors or risk metrics in order to determine whether it would be appropriate to make an upward adjustment of the mutual fund's risk level to better reflect the features of the mutual fund..

3. This change becomes effective on January 3, 2019.

5.1.3 Changes to Companion Policy 81-102CP to National Instrument 81-102 Investment Funds

CHANGES TO
COMPANION POLICY 81-102CP TO
NATIONAL INSTRUMENT 81-102 *INVESTMENT FUNDS*

1. Companion Policy 81-102CP to National Instrument 81-102 Investment Funds is changed by this Document.

2. Part 2 is changed by adding the following sections:

2.01 "alternative mutual fund" – (1) This term replaced the term "commodity pool" that was previously defined under the National Instrument 81-104 *Commodity Pools* (NI 81-104). Mutual funds that were commodity pools under NI 81-104 are deemed to be alternative mutual funds under this Instrument.

(2) The definition of "alternative mutual fund" contemplates that the fund's fundamental investment objectives will reflect those features that distinguish the alternative mutual fund from more conventional mutual funds. Therefore if an existing mutual were to convert to an alternative mutual fund, we would expect such a change to necessitate changes to the mutual fund's investment objectives that would require securityholder approval under Part 5 of the Instrument.

(3) The Instrument does not mandate a naming convention for mutual funds. However, it is our view that a mutual fund with the word "alternative" in its name could be misleading or cause confusion in the marketplace if that mutual fund is not an alternative mutual fund. We would generally expect that the only mutual funds that would use that term in their name would be alternative mutual funds.

2.3.1 "cleared specified derivative" – the definition of "cleared specified derivative" is intended to apply to derivatives transactions that take place through the facilities of a "regulated clearing agency" as defined in National Instrument 94-101 *Mandatory Central Clearing of Derivatives*. The Instrument provides exemptions from certain of the provisions governing the use of cleared specified derivatives by investment funds. These exemptions are intended to facilitate the use of the clearing infrastructure in compliance with international requirements for mandatory clearing of derivatives, although the exemptions also apply in respect of cleared specified derivatives that are not subject to mandatory clearing obligations.**.**

3. Subsection (1) of Section 3.3.1 is changed by deleting "Although section 2.4 of the Instrument does not apply to non-redeemable investment funds,***" and by replacing "***the Canadian securities regulatory authorities***" with "***The Canadian securities regulatory authorities***".***

4. Part 3 is changed by adding the following section:

3.6.1 Cash Borrowing – Subsection 2.6(2) of the Instrument permits an alternative mutual fund or non-redeemable investment fund to borrow cash for investment purposes (including investing on margin) from an entity that meets the criteria of a fund custodian or subcustodian under section 6.2 or 6.3, and can include the fund's own custodian or subcustodian. This provision also permits a fund to borrow cash from a lender that is an affiliate or associate of the fund's investment fund manager provided independent review committee approval is granted.**.**

5. Section 4.3 is changed by replacing it with the following:

4.3 Leveraging – (1) The investment restrictions in the Instrument are in part intended to prevent the use of specified derivatives for the purpose of leveraging the assets of a mutual fund. The definition of "hedging" prohibits leveraging with respect to specified derivatives used for hedging purposes. The provisions of subsection 2.8(1) of the Instrument restrict leveraging with respect specified derivatives used for non-hedging purposes.

(2) Alternative mutual funds however, are exempted from section 2.8 and are instead subject to the restrictions on the use of leverage set out in section 2.9.1 of the Instrument, which limit exposure to certain sources of leverage to no more than 300% of an alternative mutual fund's net asset value. The calculation in section 2.9.1 requires an investment fund to determine the notional amount of its specified derivatives positions. While the Instrument does not define notional amount, in this context we would expect it to be determined in regard to the value of the underlying reference asset, as if the specified derivative position were converted into the equivalent position in the underlying reference asset at the time of the calculation.**.**

6. The changes become effective on January 3, 2019.

5.1.4 Amendments to National Instrument 81-104 Commodity Pools

AMENDMENTS TO
NATIONAL INSTRUMENT 81-104 *COMMODITY POOLS*

1. National Instrument 81-104 Commodity Pools is amended by this Instrument.

2. The title is amended by replacing "NATIONAL INSTRUMENT 81-104 *COMMODITY POOLS"* ***with "***NATIONAL INSTRUMENT 81-104 *ALTERNATIVE MUTUAL FUNDS".*

3. Subsection 1.1(1) is amended

(a) by repealing the definitions of "commodity pool***", "***independent review committee***", and "***precious metals fund***",***

(b) by adding "and***" at the end of the definition of "***Derivatives Fundamentals Course***",***

(c) by deleting "and***" at the end of the definition of "***mutual fund restricted individual***", and***

(d) by adding the following definition:

"alternative mutual fund" has the same meaning as in section 1.1 of NI 81-102;***.***

4. Section 1.2 is amended

(a) in paragraph (a) by replacing "a commodity pool***" with "***an alternative mutual fund"***, and in subparagraph (i) by replacing "***commodity pool***" with "***alternative mutual fund***", and***

(b) in paragraph (b) by replacing "a commodity pool***" with "***an alternative mutual fund***", and by deleting "***or pertaining to the filing of a prospectus to which subsection 3.2(1) applies***".***

5. Section 1.3 is amended

(a) in subsection (1) by replacing "a commodity pool***" with "***an alternative mutual fund***", and by replacing "***commodity pool***" with "***alternative mutual fund***", and***

(b) by repealing subsection (2).

6. Part 2 is repealed.

7. Part 3 is repealed.

8. Section 4.1 is amended by replacing "a commodity pool***" with "***an alternative mutual fund***" wherever it occurs, and by replacing "***commodity pools***" with "***alternative mutual funds***" wherever it occurs.***

9. Part 5 is repealed.

10. Part 6 is repealed.

11. Part 8 is repealed.

12. Section 11.2 is repealed.

13. This Instrument comes into force on January 3, 2019.

5.1.5 Withdrawal of Companion Policy 81-104CP to National Instrument 81-104 Commodity Pools

WITHDRAWAL OF
COMPANION POLICY 81-104CP TO
NATIONAL INSTRUMENT 81-104 *COMMODITY POOLS*

1. Companion Policy 81-104CP to National Instrument 81-104 Commodity Pools is withdrawn.

2. This document becomes effective on January 3, 2019.

5.1.6 Amendments to National Instrument 81-101 Mutual Fund Prospectus Disclosure

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

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

2. Section 1.1 is amended by repealing the definitions of "commodity pool***" and "***precious metals fund***".***

3. Section 1.3 is amended by adding "or***" at the end of paragraph (a) and by repealing paragraph (b).***

4. Section 5.1 is amended by adding the following subsection:

(4) Despite subsection (1), a simplified prospectus for an alternative mutual fund must not be consolidated with a simplified prospectus of another mutual fund if the other mutual fund is not an alternative mutual fund**.**.

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

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

(a) by adding the following under the general instructions:

*(14.1) Subsection 5.1(4) of National Instrument 81-101 states that a simplified prospectus of an alternative mutual fund must not be consolidated with a simplified prospectus of another mutual fund that is not an alternative mutual fund***.,**

(b) by adding the following after Item 1.1(2) of Part A:

(2.1) If the mutual fund to which the simplified prospectus pertains is an alternative mutual fund, indicate that fact on the front cover*.,*

(c) by adding the following after Item 1.2(2) of Part A:

(2.1) If the mutual funds to which the document pertains are alternative mutual funds, indicate that fact on the front cover*.,*

(d) by adding the following after instruction (3) to Item 6 of Part B:

(4) If the mutual fund is an alternative mutual fund, describe the features of the mutual fund that cause it to fall within the definition of "alternative mutual fund" in National Instrument 81-102 Investment Funds. If those features include the use of leverage, disclose the sources of leverage (e.g., cash borrowing, short selling, use of derivatives) that the fund is permitted to use as well as the maximum aggregate exposure to those sources of leverage the alternative mutual fund is permitted to have, as a percentage calculated in accordance with section 2.9.1 of National Instrument 81-102 Investment Funds.,

(e) by adding the following after Item 7(10) of Part B:

(11) In the case of an alternative mutual fund that borrows cash pursuant to subsection 2.6 (2) of National Instrument 81-102 *Investment Funds*

(a) state that the alternative mutual fund is permitted to borrow cash and the maximum amount the fund is permitted to borrow, and

(b) briefly describe how borrowing will be used in conjunction with other strategies of the alternative mutual fund to achieve its investment objectives*.,*

(f) by adding the following after Item 9(2) of Part B:

(2.1) In the case of an alternative mutual fund, include disclosure explaining that the alternative mutual fund is permitted to invest in asset classes and use investment strategies that are not permitted for other types of mutual funds and explain how these investment strategies could affect investors' risk of losing money on their investment in the fund*.,*

(g) by deleting "and***" at the end of paragraph (b) of Item 9(7) of Part B,***

(h) by replacing ".***" at the end of paragraph (c) of Item 9(7) of Part B with "***; and***", and***

(i) by adding the following after paragraph (c) of Item 9(7) of Part B:

(d) borrowing arrangements.*.*

7. Form 81-101F2 Contents of Annual Information Form is amended

(a) by adding the following after Item 1.1(2):

(2.1) If the mutual fund to which the annual information form pertains is an alternative mutual fund, indicate that fact on the front cover.***, and***

(b) by adding the following after Item 10.9.1:

10.9.2 Cash Lender

(1) In the case of an alternative mutual fund, state the name of each person or company that has entered into an agreement to lend money to the alternative mutual fund or provides a line of credit or similar lending arrangement to the alternative mutual fund.

(2) State whether any person or company named in subsection (1) is an affiliate or associate of the manager of the alternative mutual fund.*.*

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

(a) by deleting "and***" at the end of paragraph (e) of Item 1 of Part I,***

(b) by replacing "risk.***" with "***risk; and***" at the end of paragraph (f) of Item 1 of Part I,***

(c) by adding the following after paragraph (f) of Item 1 of Part I:

(g) if the fund facts document pertains to an alternative mutual fund, textbox disclosure using wording substantially similar to the following:

This mutual fund is an alternative mutual fund. It is permitted to invest in asset classes or use investment strategies that are not permitted for other types of mutual funds.

The specific strategies that differentiate this fund from other types of mutual funds include: [*list the features of the alternative mutual fund that cause it to fall within the definition of "alternative mutual fund" in National Instrument 81-102 Investment Funds*].

[*Explain how the listed investment strategies could affect investors' risk of losing money on their investment in the alternative mutual fund.*]***,***

(d) by adding the following after Item 3(1) of Part I:

(1.1) In the case of an alternative mutual fund that uses leverage,

(a) disclose the sources of leverage, and

(b) disclose the maximum aggregate exposure to those sources of leverage the alternative mutual fund is permitted to have.***, and***

(e) by adding the following after subsection (3) of the instructions to Item 3 of Part I:

(3.1) The alternative mutual fund's aggregate exposure to the sources of leverage must be expressed as a percentage calculated in accordance with section 2.9.1 of National Instrument 81-102 Investment Funds.*.*

Transition

9. If a commodity pool, as that term was defined in National Instrument 81-104 *Commodity Pools* on January 2, 2019, has filed a prospectus for which a receipt was granted on or before that date, this Instrument does not apply to that commodity pool until July 4, 2019.

Effective Date

10. This Instrument comes into force on January 3, 2019.

5.1.7 Amendments to National Instrument 41-101 General Prospectus Requirements

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

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

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

"alternative mutual fund" has the same meaning as in section 1.1 of NI 81-102;***.***

3. Form 41-101F2 Information Required in an Investment Fund Prospectus is amended

(a) by replacing "commodity pool***" in Item 1.3(1) with "***alternative mutual fund***",***

(b) by adding the following after Item 1.3(3):

(4) If the mutual fund to which the prospectus pertains is an alternative mutual fund, include a statement explaining that the fund is permitted to invest in asset classes or use investment strategies that are not permitted for other types of mutual funds and explain how exposure to the asset classes or the adoption of the investment strategies may affect investors' risk of losing money on their investment in the fund.***,***

(c) by replacing "commodity pool***" in Item 1.11(3) with "***alternative mutual fund***",***

(d) by repealing Item 1.12,

(e) by replacing paragraph (e) of Item 3.3(1) with the following:

(e) the use of leverage, including all of the following:

(i) the maximum aggregate exposure to borrowing, short selling and specified derivatives the investment fund is permitted to have, expressed as a percentage calculated in accordance with section 2.9.1 of NI 81-102,

(ii) a brief description of any other restrictions on the investment fund's use of leverage, and

(iii) a brief description of any limits that apply to each source of leverage.***,***

(f) by adding the following after instruction (3) to Item 5:

(4) If the mutual fund is an alternative mutual fund, describe the features of the mutual fund that cause it to fall within the definition of "alternative mutual fund" in NI 81-102. If those features involve the use of leverage, disclose the sources of leverage (i.e., borrowing, short selling, use of derivatives) the alternative mutual fund is permitted to use and the maximum aggregate exposure to those sources of leverage the alternative mutual fund is permitted to have, as a percentage calculated in accordance with section 2.9.1 of NI 81-102 .,

(g) by replacing paragraph (b) of Item 6.1(1) with the following:

(b) the use of leverage, including both of the following:

(i) a brief description of any restrictions on the investment fund's use of leverage;

(ii) a brief description of any limits that apply to each source of leverage.***,***

(h) by adding the following after Item 6.1(6):

(7) In the case of an investment fund that borrows cash in accordance with subsection 2.6 (2) of NI 81-102,

(a) state that the investment fund is permitted to borrow cash and the maximum amount the fund is permitted to borrow, and

(b) briefly describe how borrowing will be used in conjunction with other strategies of the investment fund to achieve its investment objectives and the material terms of the borrowing arrangements.***,***

(i) by adding the following after Item 19.11

19.12 Lender

(1) State the name of each person or company that has entered into an agreement to lend money to the investment fund or provides a line of credit or similar lending arrangement to the investment fund.

(2) State whether the person or company named in subsection (1) is an affiliate or associate of the manager of the investment fund.***, and***

(j) by replacing "a commodity pool***" in Item 23.1(f) with "***an alternative mutual fund***".***

4. Form 41-101F4 Information Required in an ETF Facts Document is amended

(a) by replacing the instructions to Item 1 of Part 1 with the following:

INSTRUCTIONS:

(1) The date for an ETF facts document that is filed with a preliminary prospectus or final prospectus must be the date of the preliminary prospectus or final prospectus, respectively. The date for an ETF facts document that is filed with a pro forma prospectus must be the date of the anticipated final prospectus. The date for an amended ETF facts document must be the date on which it is filed.

(2) If the investment objectives of the ETF are to track a multiple (positive or negative) of the daily performance of a specified underlying index or benchmark, provide textbox disclosure in bold type using wording substantially similar to the following:

This ETF is an alternative mutual fund. It is permitted to invest in asset classes or use investment strategies that are not permitted for other types of mutual funds.

This ETF is highly speculative. It uses leverage which magnifies gains and losses. It is intended for use in daily or short-term trading strategies by sophisticated investors. If you hold this ETF for more than one day, your return could vary considerably from the ETF's daily target return. Any losses may be compounded. Don't buy this ETF if you are looking for a longer-term investment.

(3) If the investment objectives of the ETF are to track the inverse performance of a specified underlying index or benchmark, provide textbox disclosure in bold type using wording substantially similar to the following:

This ETF is an alternative mutual fund. It is permitted to invest in asset classes or use investment strategies that are not permitted for other types of mutual funds.

This ETF is highly speculative. It is intended for use in daily or short-term trading strategies by sophisticated investors. If you hold this ETF for more than one day, your return could vary considerably from the ETF's daily target return. Any losses may be compounded. Don't buy this ETF if you are looking for a longer-term investment.

(4) If the ETF is an alternative mutual fund and Instruction (2) or (3) does not apply, provide textbox disclosure in bold type using wording substantially similar to the following:

This ETF is an alternative mutual fund. It has the ability to invest in asset classes or use investment strategies that are not permitted for other types of mutual funds.

The specific features that differentiate this fund from other types of mutual funds include: [*list the asset classes the alternative mutual fund invests in and the investment strategies used by the alternative mutual fund that cause it to fall within the definition of "alternative mutual fund"*]

[*Explain how the listed features may affect investors' risk of losing money on their investment in the alternative mutual fund*]***,***

(b) by adding the following after Item 3(1) of Part 1:

(1.1) For an alternative mutual fund that uses leverage

(a) disclose the sources of leverage, and

(b) disclose the maximum aggregate exposure to those sources of leverage the alternative mutual fund is permitted to have.***, and***

(c) by adding the following after subsection (3) of the instructions to Item 3 of Part 1:

*(3.1) The alternative mutual fund's aggregate exposure to sources of leverage must be expressed as a percentage calculated in accordance with section 2.9.1 of NI 81-102.***.***

Transition

5. If a commodity pool, as that term was defined in National Instrument 81-104 *Commodity Pools* on January 2, 2019, has filed a prospectus for which a receipt was granted on or before that date, this Instrument does not apply to the commodity pool until July 4, 2019.

Effective Date

6. This Instrument comes into force on January 3, 2019.

5.1.8 Amendments to National Instrument 81-106 Investment Fund Continuous Disclosure

AMENDMENTS TO
NATIONAL INSTRUMENT 81-106 *INVESTMENT FUND CONTINUOUS DISCLOSURE*

1. National Instrument 81-106 Investment Fund Continuous Disclosure is amended by this Instrument.

2. Subsection 1.3(3) is amended by deleting "National Instrument 81-104 *Commodity Pools* or***" and by replacing "***those Instruments***" with "***that Instrument***".***

3. The Instrument is amended by adding the following section:

3.12 Disclosure of Use of Leverage – (1) An investment fund that uses leverage must disclose the following information in its financial statements:

(a) a brief explanation of the sources of leverage including cash borrowing, short selling or use of specified derivatives, used during the reporting period covered by the financial statements,

(b) the lowest and highest level of the aggregate exposure to those sources of leverage in the period, and

(c) a brief explanation of the significance to the investment fund of the lowest and highest levels of the aggregate exposure to those sources of leverage.

(2) For the purposes of subsection (1), an investment fund must calculate its aggregate exposure to those sources of leverage in accordance with section 2.9.1 of National Instrument 81-102 *Investment Funds*.***.***

4. Form 81-106F1 Contents of Annual and Interim Management Report of Fund Performance is amended

(a) in Item 2.3 of Part B by adding the following subsection:

(3) An investment fund that uses leverage must disclose,

(a) a brief explanation on the sources of leverage including cash borrowing, short selling or use of specified derivatives, used during the reporting period,

(b) the lowest and highest level of aggregate exposure to those sources of leverage in the period, and

(c) a brief explanation of the significance of the lowest and highest levels of aggregate exposure to those sources of leverage to the investment fund including the impact of the use of specified derivatives for hedging purposes***., and***

(b) by replacing the Instruction to Item 2.3 of Part B with the following:

INSTRUCTIONS:

(1) Explain the nature of and reasons for changes in the investment fund's performance. Do not only disclose the amount of change in a financial statement item from period to period. Avoid the use of boilerplate wording. Your discussion must be prepared in a manner that will assist a reasonable reader to understand the significant factors that have affected the investment fund's performance.

(2) For the purposes of the disclosure required in Item 2.3(3)(b), an investment fund must calculate its aggregate exposure to sources of leverage in accordance with section 2.9.1 of National Instrument 81-102 Investment Funds.

*(3) In discussing the impact of the use of specified derivatives for hedging purposes on the investment fund's calculation of its aggregate exposure to sources of leverage, the fund must discuss by how much the aggregate exposure was reduced by subtracting the notional value of the fund's specified derivatives positions that are hedging transactions as is contemplated in paragraph 2.9.1(2)(c) of National Instrument 81-102 Investment Funds.***.***

5. This Instrument comes into force on January 3, 2019.

5.1.9 Amendments to National Instrument 81-107 Independent Review Committee for Investment Funds

AMENDMENTS TO
NATIONAL INSTRUMENT 81-107
INDEPENDENT REVIEW COMMITTEE FOR INVESTMENT FUNDS

1. National Instrument 81-107 Independent Review Committee for Investment Funds is amended by this Instrument.

2. Subsection 5.2(1) is amended

(a) in paragraph (b) by deleting "or***",***

(b) in paragraph (c) replacing ".***" with "***; or***", and***

(c) by adding the following paragraph:

(d) a transaction in which an investment fund intends to borrow cash from a person or company that is an associate or affiliate of the investment fund manager**.**.

3. This Instrument comes into force on January 3, 2019.

5.1.10 Changes to Commentary to National Instrument 81-107 Independent Review Committee for Investment Funds

CHANGES TO COMMENTARY TO
NATIONAL INSTRUMENT 81-107
INDEPENDENT REVIEW COMMITTEE FOR INVESTMENT FUNDS

1. The Commentary to National Instrument 81-107 Independent Review Committee for Investment Funds is changed by this Document.

2. Section 1 of the Commentary to Section 5.2 of the Instrument is changed by adding "*Part 2 and****" after "****Part 6 of this Instrument or****".***

3. This change becomes effective on January 3, 2019.

6.1.1 CSA Staff Notice and Request for Comment 23-323 Trading Fee Rebate Pilot Study

Canadian Securities Administrators | Autorités canadiennes en valeurs mobilières

CSA Staff Notice and Request for Comment 23-323
Trading Fee Rebate Pilot Study

December 18, 2018

Executive Summary

The Canadian Securities Administrators (**CSA** or **we**) are publishing for comment a proposed Trading Fee Rebate Pilot Study that would apply temporary pricing restrictions on marketplace transaction fees applicable to trading in certain securities (**Proposed Pilot**). We are publishing the Proposed Pilot for a 45-day comment period to solicit views. We are seeking comment on all issues raised in this notice, including the design of the Proposed Pilot that is contained in the Design Report at Appendix A, as well as the specific questions raised within it.

The comment period will end on February 1, 2019.

I. Introduction

The CSA has been considering a pilot study on the payment of trading fee rebates for many years in relation to our continued work to foster fair and efficient capital markets and confidence in capital markets. On May 15, 2014, we published a Notice and Request for Comment (the **2014 Notice**) that proposed amendments to National Instrument 23-101 *Trading Rules* (**NI 23-101**) in relation to the order protection rule (**OPR**).[1] On April 7, 2016, as a result of our review of OPR, we published a Notice of Approval of Amendments to NI 23-101 and Companion Policy 23-101CP (the **2016 Notice**).[2] In the 2016 Notice, we acknowledged that we had been considering a pilot study for a number of years but, due to certain risks arising from the interconnected nature of North American markets and securities that are interlisted in the United States, we decided not to move forward with a pilot study unless a similar study was undertaken in the United States.[3]

1 Published at: (2014) 37 OSCB 4873.

2 Published at: (2016) 39 OSCB 3237.

3 Please refer to section 7 *Pilot Study on Prohibition on Payment of Rebates by Marketplaces* in (2016) 39 OSCB 3237.

On March 14, 2018, the United States Securities and Exchange Commission (**SEC**) proposed new Rule 610T of Regulation National Market System (**NMS**) that would conduct a transaction fee pilot for NMS securities (the **Proposed SEC Transaction Fee Pilot**),[4] and, as a result, an opportunity has emerged to move forward with a Canadian pilot study.

On March 16, 2018, we published CSA Staff Notice 23-322 *Trading Fee Rebate Pilot Study*[5] to provide an update on our plans to study the impacts of transaction fees and rebates on order routing behaviour, execution quality, and market quality, and noted that we have been engaged in dialogue with SEC staff on this issue.

We are publishing for comment the design and specifications of the Proposed Pilot to solicit feedback. We will continue discussions with SEC staff about coordinating the pilot studies, where possible and appropriate.

II. Background

Trading Fee Models

The "maker-taker" trading fee model originated in the United States as a method by which new marketplaces could attract orders and compete with established exchanges. The maker-taker model attracts orders through the payment of trading rebates. When a trade occurs, the participant that enters the liquidity providing order displayed in the order book (i.e. "makes" liquidity) is paid a rebate and the participant who removes that order from the order book (i.e. "takes" liquidity) is charged a fee. The fee is higher than the rebate and the difference between the two is the trading revenue earned by the marketplace.

In Canada, the maker-taker model was first introduced by the TSX in 2005 in order to compete with marketplaces in the U.S. trading interlisted securities. Since that time, and as marketplace competition emerged in Canada, the use of rebate payments to attract orders has become the standard fee model employed by Canadian marketplaces. The maker-taker model has also evolved to include an "inverted maker-taker" or "taker-maker" fee model, where the provider of liquidity pays a fee and the liquidity remover receives a rebate when a trade occurs.

Potential Issues Identified

In the 2014 Notice, we expressed our view that the payment of rebates by a marketplace is changing behaviours of marketplace participants. As elaborated below, the payment of rebates may be:

- creating conflicts of interest for dealer routing decisions that may be difficult to manage;
- contributing to increased segmentation of order flow; and
- contributing to increased intermediation on actively traded securities.

(a) Conflicts of Interest

[4] Published at: https://www.sec.gov/rules/proposed/2018/34-82873.pdf.

[5] Published at: http://www.osc.gov.on.ca/en/SecuritiesLaw_sn_20180316_23-322_trading-fee-rebate-pilot-study.htm.

Dealers that manage client orders make decisions regarding the marketplaces to which these orders will be routed. The payment of a rebate by a marketplace raises a potential conflict of interest when a dealer must choose between routing an order to a marketplace that pays them a rebate or to a marketplace that charges them a fee, neither of which are typically passed on to the end client. A decision to route orders based on costs may conflict with routing orders in a manner that results in the best outcome for clients. For example, the payment of a rebate may create a conflict of interest for dealers who must pursue the best execution for their clients' orders while facing potentially conflicting economic incentives to avoid fees or earn rebates. A dealer that routes to a marketplace that offers a rebate but does not offer high execution quality (i.e. orders are either less likely or take longer to execute) may ultimately provide suboptimal outcomes for clients.

This potential conflict has been the subject of academic literature including Angel, Harris, and Spatt 2010[6] and Battalio, Corwin, and Jennings 2016,[7] and was also highlighted by the International Organization of Securities Commissions (**IOSCO**) in a December 2013 publication, *"Trading Fee Models and their Impact on Trading Behaviour: Final Report"* (the **IOSCO Report**).[8] The IOSCO Report notes that

> … various jurisdictions raised concerns about the potential conflicts of interest [trading fees or trading fee models] may create – for example, by providing incentives to enter into transactions for improper purposes (such as increasing trading volumes solely for the purposes of achieving volume-based incentives) or by impacting routing decisions based on earning a rebate or discount for the participant at the expense of the quality of best execution for its client.[9]

In prohibiting the payment of marketplace rebates for a test group of securities, we believe the Proposed Pilot will provide an opportunity to understand any inherent conflicts for dealers and study both changes in order routing practices and impacts on market quality measures.

(b) Segmentation of Orders

In the context of the execution of orders, segmentation refers to the separation of orders from one class or type of market participant to other classes or types of market participants, and in the Canadian context, is often associated with the orders of retail investors. For instance, it is our understanding that a key driver for the introduction of the inverted maker-taker model was to attract orders from dealers that are more cost-sensitive to "take" fees, such as retail dealers. Retail investors may tend to demand immediacy of trade execution (i.e. use marketable orders) more frequently than other types of clients. As a result, retail dealers often "take" liquidity from order books and may choose to route orders to marketplaces with an inverted maker-taker model, where they receive a rebate rather than pay a fee.

6 "*Equity Trading in the 21st Century,"* May 2010, available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1584026.

7 "*Can Brokers Have It All? On the Relation between Make-Take Fees and Limit Order Execution Quality,"* available at https://onlinelibrary.wiley.com/doi/abs/10.1111/jofi.12422.

8 "*Trading Fee Models and their Impact on Trading Behaviour: Final Report*," available at http://www.iosco.org/library/pubdocs/pdf/IOSCOPD430.pdf.

9 *Id.*

The use of different fee models that pay rebates to different sides of a trade may be contributing to the segmentation of orders by type of client. The Proposed Pilot will study any changes in dealer routing practices based on type of client in an environment where for certain securities rebates do not play a role in influencing decisions.

(c) Increased Intermediation on Actively Traded Securities

It was argued that marketplace rebate payments have contributed to increased market participation by intermediaries that provide liquidity to Canadian marketplaces. In the 2014 Notice, we highlighted the concern that while the payment of rebates has successfully increased the level of liquidity primarily in the most liquid securities, it may have led to a situation where there is intermediation of investor orders where sufficient liquidity already exists and is least needed. The Proposed Pilot will study the level of intermediation on Canadian marketplaces where the payment of rebates to providers of liquidity is prohibited for certain securities.

III. Summary of the Proposed Pilot

The objective of the Proposed Pilot is to study the effects of the prohibition of rebate payments by Canadian marketplaces. In July 2018, we selected and retained three Canadian academics (the **Academics**)[10] to design the Proposed Pilot and measure the results. While greater detail can be found in the Design Report at Appendix A, a summary of the Proposed Pilot is set out below.

(a) Timing and Duration

The Proposed Pilot will run concurrently with the Proposed SEC Transaction Fee Pilot, and thus timing is dependent both on SEC approval of their proposed rules and the date of implementation. Should timing of the Proposed SEC Transaction Fee Pilot permit, the intention is to implement the Proposed Pilot on a staggered basis consisting of two stages:

1. non-interlisted stocks three to six months prior to the implementation of the Proposed SEC Transaction Fee Pilot; and

2. interlisted stocks in tandem with the implementation of the Proposed SEC Transaction Fee Pilot.

(b) Applicable Marketplaces

The Proposed Pilot will be applicable to trading rebates paid by Canadian marketplaces, both exchanges and alternative trading systems (**ATSs**), for the execution of an order with respect to certain equity securities outlined in more detail below.

[10] http://www.osc.gov.on.ca/en/NewsEvents_nr_20180801_csa-trading-fees-rebates-pilot-study.htm. The CSA has selected the following group of researchers with expertise in Canadian equity market structure to design and conduct the pilot study: Katya Malinova, Andriy Shkilko and Andreas Park.

(c) Proposed Pilot Securities

The Proposed Pilot will include a sample of securities selected from a list of highly liquid securities that is prepared and published by the Investment Industry Regulatory Organization of Canada (**IIROC**)[11] and a sample of actively traded, medium liquidity securities that will be constructed by the Academics. These sample securities will include both interlisted and non-interlisted common stocks.

A matched pairs design will be used to find securities that closely match on a set of characteristics such as firm size, share price, and/or trading volume, and then a treated security and a control security will be randomly selected from each pair.

We do not believe that the Proposed Pilot will harm issuers even though it may result in the elimination of trading fee rebate incentives that would otherwise be used to attract posted liquidity in certain securities. While the Proposed Pilot will eliminate trading rebates in certain securities, it will not impact the application of OPR. Marketplaces that display protected orders will continue to receive trade-through protection under OPR,[12] which may continue to serve as an incentive to attract liquidity.

Furthermore, the temporary elimination of trading rebates for certain securities may make it less expensive, and consequently more attractive, to transact in those securities, which also may offset the reduced rebate incentive and attract liquidity. The cost of capital for issuers is determined by a number of factors, most of which are not impacted by secondary market trading activity.

While the Proposed Pilot is limited in scope (for instance, it does not include illiquid securities or exchange traded products), this is because a study is, by nature, limited. The exclusion of certain securities from the Proposed Pilot is in no way intended to signal that these securities will not be subject to whatever policy actions are taken as a result of the findings of the Proposed Pilot.

(d) Proposed Pilot Design

The Proposed Pilot will prohibit the payment of trading fee rebates by marketplaces with respect to trading in treated securities.[13] The Academics will conduct an empirical analysis based on market quality metrics and compare the treated securities with the control securities.

This statistical analysis will investigate the effects of the prohibition of rebates both pre- and post-implementation of the Proposed Pilot.

As the purpose of the Proposed Pilot is to study the effects of prohibiting rebates, the design relies on only this prohibition. In relation to studying conflicts of interest in order routing, we recognize that prohibiting rebates alone will not eliminate all conflicts and, in consultation with the Academics, we considered alternative approaches such as mandating symmetrical marketplace fee models.[14] Although symmetrical fee models may better control for conflicts of interest, we ultimately decided that this approach would be overly prescriptive and limit the ability of marketplaces to compete to attract orders. For this reason, we have proposed only a rebate prohibition for the treated securities.

11 Please see: http://www.iiroc.ca/industry/rulebook/Pages/Highly-Liquid-Stocks.aspx.

12 See https://www.osc.gov.on.ca/documents/en/Securities-Category2/sn_20160620_23-316_order-protection-rule.pdf.

13 This will include the prohibition of rebate payments for intentional crosses.

14 Symmetrical marketplace fee models charge the same fee to both sides of a trade.

In order to ensure that the Proposed Pilot meets the objective of providing a better understanding of the effects of the prohibition of rebate payments on Canadian marketplaces, marketplaces seeking to implement either a fee or major market structure change throughout the implementation period of the Proposed Pilot will be required to demonstrate to the CSA that such a change does not interfere with this objective. The regulators may seek public comment on these changes to aid in making such determinations.

Please refer to the attached Design Report for more details. Please also refer to GitHub for ongoing code and data analysis from the Academics as the Proposed Pilot moves forward.

(e) Local Matters – Implementation

In Ontario, the Proposed Pilot will be implemented by orders of the Ontario Securities Commission (the **Commission**) under s. 21(5) and s. 21.0.1 of the *Securities Act* (Ontario), as applicable for each exchange and ATS carrying on business in Ontario. Where a marketplace pays a trading fee rebate with respect to trading in a security that is included in a treatment group in the Proposed Pilot, the Commission will order that marketplace to file a fee amendment that would eliminate the rebate payment for the duration of the Proposed Pilot. The Commission will also order that for the duration of the Proposed Pilot, where a marketplace seeks any amendment to its Form 21-101 F1/F2, including the exhibits thereto, that marketplace will file submissions that satisfy the Commission that any such proposed amendments do not negatively impact the objective of the Proposed Pilot. A draft model order for both an exchange and an ATS is attached at Appendix B. Note that should we have any concerns about the Proposed Pilot following its implementation, we will immediately apply to the Commission for orders under s. 144 of the *Securities Act* (Ontario) revoking or varying the orders issued under ss. 21(5) and 21.0.1, as applicable.

In other jurisdictions, the Proposed Pilot will be implemented by orders of such jurisdictions, as applicable.

IV. Next Steps

The CSA will seek public comment on the Proposed Pilot for 45 days following the publication of this proposal, and if implemented, will monitor the Proposed Pilot on an ongoing basis and evaluate the results. Prior to implementation, the CSA will also be requesting that marketplace participants advise the CSA what actions they are taking or will take to comply with the Proposed Pilot.

We invite participants to provide input on the issues outlined in this public Consultation Paper. You may provide written comments in hard copy or electronic form. The consultation period expires **February 1, 2019.**

Please submit your comments in writing on or before **February 1, 2019**. If you are not sending your comments by email, please send a CD containing the submissions (in Microsoft Word format).

Address your submission to all of the CSA as follows:

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

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

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

M^{e} Anne-Marie Beaudoin
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Autorité des marchés financiers
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V. Questions

Questions and comments may be referred to:

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Appendix A – Proposed Design Report -Trading Fee Rebate Pilot Study

Design Report for the CSA Pilot Study on Rebate Prohibition*

Katya Malinova Andreas Park Andriy Shkilko

First version: July 24, 2018
This version: November 21, 2018

Disclaimer: This document is subject to a request for comments and may change as the comments are addressed. The final design of the Pilot will be determined by the Canadian Securities Administrators (CSA).

* We thank the Canadian Securities Administrators, the Canadian Securities Traders Association, the Market Structure Advisory Committee of the Ontario Securities Commission, and participants at the Rotman Capital Markets Institute Panel Discussion for early input.

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I. Executive Summary

The CSA has proposed a pilot study to better understand the effects of the prohibition of rebate payments by Canadian marketplaces (the Pilot). The United States Securities and Exchange Commission (SEC) has announced its intention to conduct a pilot study examining a similar set of issues (the SEC Pilot).

Rebates are often paid to market participants to attract their orders to a particular platform. The CSA has commissioned the authors of this report to develop the methodology for the Pilot, analyze the results, and complete a final research report detailing the findings of the Pilot. In this document, we propose a design and discuss the framework for the analysis of the Pilot. In particular, we cover the following issues: timing, sample construction, empirical measures, statistical tools, and anticipated challenges. We also include a list of questions for industry feedback and discuss some of the issues that have arisen in our previous discussions with the regulators and market participants.

An important feature of the Pilot is design simplicity. A complex design that tries to answer too many questions may confound the analysis and as such will be detrimental to drawing policy-relevant conclusions. Consequently, key conditions for the Pilot to be successful are as follows:

- for a group of securities selected using objective and transparent criteria (hereafter, treated securities), marketplaces are prohibited from paying fee rebates[15] to dealers, including offering discounts on liquidity removal fees if such discounts are linked to the dealers' liquidity-providing activities. For all remaining securities, the rules remain unchanged;
- the prohibition applies to all marketplaces trading equity securities;
- with respect to interlisted securities, the timing of the Pilot and the set of the Pilot securities are coordinated with the SEC;
- the Pilot matches the duration of the SEC Pilot;
- the Pilot is introduced in two stages to mitigate the effects of unexpected market-wide events that may coincide with the Pilot start date;
- in the analysis stage, a set of market quality and order routing metrics is computed using data from the Investment Industry Regulatory Organization of Canada (IIROC) Surveillance Technology Enhancement Platform (STEP) data;[16]
- a set of standard techniques is applied to examine these data; and
- the codes used in the analysis are publicly available and comments are encouraged.

[15] This will include the prohibition of rebate payments for intentional crosses.

[16] STEP offers a consolidated view of equity trading on all marketplaces.

The sample will be selected from corporate equity securities split into highly liquid and medium-liquid. Each treated security will be matched with a control security that has similar characteristics, i.e., firm size, share price, and trading volume. The control securities will not be treated. The sample selection will be governed exclusively by statistical considerations. We expect the sample to consist of:

- 50-60 highly liquid and 20-30 medium liquid interlisted securities, with an equal number of interlisted matches, and

- 60-80 highly liquid and 80-100 medium liquid non-interlisted securities, with an equal number of non-interlisted matches.

Precise quantities will be determined on the date the sample is finalized, approximately three months prior to the start of the Pilot.

In the analysis stage, we will use standard market quality metrics (e.g., quoted spreads and depths, effective and realized spreads, implementation shortfall, volatility, trade and order autocorrelation, time to execution for competitively priced limit orders, etc.). We will examine these metrics before and after rebate prohibition for the market overall and for several types of market participants separately (e.g., dealers, retail investors, institutional participants, participants using high frequency strategies, etc.). The final report will present the results with due care to preserve anonymity of the participants.

II. Details

A. Background

In its 2014 Request for Comments on Proposed Amendments to NI 23-101 Trading Rules,[17] the CSA cites several concerns regarding the maker-taker fee model. Specifically, the CSA suggests that the model may "distort transparency of the quoted spread, introduce inappropriate incentives and excessive intermediation, and create conflicts of interest" and proposes conducting a pilot study to formally examine these issues. The CSA specifically states that any pilot should "examine the impact of prohibiting the payment of rebates by marketplaces."

In proposing the Pilot design, we seek to better understand how the prohibition of rebates may affect dealers' routing practices, the level of intermediation, and standard measures of market quality. The analysis will be carried out for the market overall and for various groups of market participants separately.

In what follows, we provide a detailed description of the data, variables, and methods that will allow us to address the issues raised by the CSA. For the results to be meaningful and policy-relevant, two design features are important: sufficiently large and well-structured treatment and control samples and a staggered introduction of treatment. Furthermore, we will seek close coordination with the SEC, since trading in Canada may be affected by the final design of the SEC Pilot.

[17] http://www.osc.gov.on.ca/en/SecuritiesLaw_csa_20140515_23-101_rfc-pro-amd.htm.

B. Merits of a Canadian Pilot

Although the U.S. and the Canadian equity markets are similar, there are several key differences that may affect dealer routing decisions. Examples include the practice of retail order internalization in the U.S. and broker-preferencing in Canada. Therefore, while we expect rebate prohibition to have a similar impact on market-wide measures of market quality in both countries, changes in routing practices and the extent to which different groups of market participants are affected may differ. Consequently, a Canadian pilot, in combination with sufficiently granular data, will substantially improve understanding of the existing fee system and will be necessary for a well-informed Canadian regulatory policy.

C. Required Data

The Pilot aims to examine discretionary routing practices and the impact of fees on different groups of market participants. We will use masked data from IIROC's STEP system. In the STEP data, we will define a trader ID as the combination of the dealer ID, user ID, and account type (specialist, client, inventory, etc.). Once defined, we will use trader IDs following the classification of market participants proposed by Devani, Tayal, Anderson, Zhou, Gomez, and Taylor (2014).

III. Pilot Securities and Sample Construction

A. Background

There are about 3,800 securities listed on Canadian stock exchanges, some of which are interlisted on foreign exchanges. Trading characteristics differ significantly across securities, and in constructing the sample we must ensure that such differences do not confound the results.

First, a number of securities trade almost exclusively in rebate-free environments. Examples include CSE-listed securities, as well as TSX- and TSXV-listed securities priced under $1 that trade on the TSX, TSXV, and MatchNow. Such securities will not be included in the sample.

Second, while we expect that our analysis will provide the most statistically reliable results for the highly liquid securities, we recognize that there is significant interest in examining the impact of rebate prohibition for securities with medium activity levels. Therefore, we will analyze a sample of such securities, but caution that the resulting market quality measures may be statistically noisy. We will not examine very illiquid securities as such an analysis will not yield statistically meaningful insights. We will split the securities into two subsamples: U.S.-interlisted equities and non-interlisted equities.

B. Sample Selection and Matching Criteria

The two groups of corporate equities will be further split into highly liquid and medium liquid securities. IIROC defines a security to be "highly liquid" if it trades on average at least 100 times per day and with an average trading value of at least $1,000,000 per trading day over the past month.[18] Highly liquid securities account for more than 90 percent of the TSX market capitalization and as such are reasonably representative of the wealth invested in publicly-listed Canadian corporate equities. We will define a security as "medium-liquid" if it trades on average at least 50 times a day and with an average trading value of at least $50,000 over the past month.

[18] http://www.iiroc.ca/industry/rulebook/Pages/Highly-Liquid-Stocks.aspx.

To select the treatment and control groups, we will use a procedure that finds stocks similar to each other based on a set of pre-defined characteristics and then randomly selects a stock to treat from each pair. We will use the following matching characteristics as of three months prior to the Pilot start date: listing status (single market vs. interlisted), liquidity status (highly liquid vs. medium liquid), firm size (market capitalization), price, and dollar trading volume, with the last three characteristics averaged over the month preceding the selection date. The list of Pilot securities will be made public as soon as it is finalized.

An appropriately-sized sample that is representative of the universe of Canadian publicly listed firms must include the interlisted stocks. We have submitted a comment letter to the SEC to formally request that the Pilot and the SEC Pilot are coordinated so that the interlisted stocks are treated in the same manner in Canada and the U.S.[19] For instance, if Barrick Gold, ABX, is a treated security in the Pilot, then it should also be included in Group 3 in the SEC Pilot as currently proposed. Similarly, the interlisted stocks used as controls in the Pilot must be in the control group (currently Group 4) in the SEC Pilot.

C. Matching Procedure

We will follow the approach known as *the nearest-neighbor matching*. Specifically, for each possible pair of securities *i* and *j*, we will compute the pairwise scaled matching error as follows:

$$matcherror_{ij} = \sum_{k=1}^{M} \left(\frac{C_k^i - C_k^j}{C_k^i + C_k^j} \right)^2, \qquad (1)$$

where C_k is one of the above-mentioned matching characteristics, e.g., firm size, price, and trading volume. We will then sequentially select pairs with the lowest matching errors until all stocks are allocated a pair. Finally, we will randomly assign one stock in each pair for treatment and retain the other stock as a control.

IV. Empirical Measures and Analysis

A. Empirical Measures

Quoted Liquidity. The quoted spread will be computed as the difference between the Canada-wide best ask and bid prices (the CBBO). We will compute this metric in two ways: (i) across all markets and (ii) only for the markets with protected quotes. The quoted spread at time *t* for security *i* is defined as:

$$qs_{it} = ask_{it} - bid_{it}. \qquad (2)$$

We will drop instances of locked markets, when the bid and the ask are equal, and instances of crossed markets, when the bid is greater than the ask.

[19] https://www.sec.gov/comments/s7-05-18/s70518-4465710-175825.pdf.

Spreads usually vary in the stock price, and as such it is a common practice to compute the proportional spread as:

$$qsp_{it} = \frac{qs_{it}}{m_{it}}, \qquad (3)$$

where m_{it} is the CBBO mid-quote defined as:

$$m_{it} = \frac{ask_{it} + bid_{it}}{2}. \qquad (4)$$

To aggregate the spread metrics to the daily level, we will compute the *time-weighted* quoted spread on day *d* as follows:

$$twqsp_{id} = \frac{1}{\sum_t \Delta_{t,t+1}} \times \sum_t \Delta_{t,t+1}\ qsp_{it}, \qquad (5)$$

where $\Delta_{t,t+1}$ is the number of time units during which the quote is active. For instance, if a quote is active from 14:35:00.002 to 14:35:08.004, then $\Delta_{t,t+1}$ = 8,002 milliseconds (ms).

Some of the stocks in our sample will likely be constrained by the minimum tick size of one cent. To account for this possibility, we will compute the fraction of the day that a stock is quoted with a one-cent spread.

We will compute *quoted depth* as the sum of the number of shares posted at both sides of the CBBO. We will compute *quoted dollar depth* as the sum of the dollar value of shares posted at both sides of the CBBO. We will time-weight both depth metrics.

Price Efficiency. The finance literature has developed a number of metrics that capture the speed with which (and the extent to which) prices incorporate new information. Generally speaking, the faster the price discovery process, the more informationally efficient are the prices.

Autocorrelation of Returns. Similarly to Hendershott and Jones (2005), we will compute the autocorrelation of midquote returns for 30-second, 1-minute, and 5-minute intervals. A lower absolute value of autocorrelation is associated with greater market efficiency as prices better resemble a random walk.

Variance Ratios. If prices are efficient and follow a random walk, the variance of midquotes is linear in the time horizon. Campbell, Lo, and MacKinlay (1997) define the scaled ratio of variances over k time horizons as: $|(\sigma_{tk}/k\sigma_t) - 1|$ and suggest that the closer this ratio is to 0, the more efficient is the market. We will follow the existing literature and compute the variance ratios for two intervals: 30-second to 1-minute and 1-minute to 5-minute.

Intra-Day Volatility. We will compute two volatility metrics: range-based and variance-based. The range-based metric is the daily average of the high-low price range computed over ten-minute intervals, scaled by the interval's mid-quote defined in equation (4) above. Aggregated over many securities, this metric is

usually strongly correlated with overall market volatility as measured by the VIX.[20] The variance-based metric is the standard deviation of the one-minute mid-quote returns for the day.

Activity Levels. To measure market activity, we will compute several trading volume metrics such as volume at the open and close, volume during the continuous market, volume in intentional crosses, and dark volume.

We will further compute a set of order-related metrics such as the number of orders and their value, the proportion of canceled and executed orders, the proportion of executed order value, the number of orders that match or improve the CBBO, and the proportion of orders one and two cents away from the best quotes, as well as one percent and five percent of the mid-quote away from the best quotes.

We note that there are no agreed-upon economic measures that determine whether a change in market activity levels is beneficial or harmful. Therefore, volume and order submission figures must be interpreted with caution.

Effective Spreads. Effective spreads measure the costs that market participants incur when they trade. It is conventional to base the computation of effective spreads on the mid-quote of the prevailing CBBO. For security *i*, the proportional effective spread for a trade at time *t* is defined as:

$$esp_{it} = 2 \times q_{it} \times \frac{p_{it} - m_{it}}{m_{it}}, \qquad (6)$$

where p_{it} is the transaction price, m_{it} is the mid-quote of the CBBO prevailing at the time of the trade, and q_{it} is an indicator variable that equals 1 if the trade is buyer-initiated and -1 if the trade is seller-initiated. The factor 2 is used to make the estimate comparable to the quoted spread by capturing the cost of a round-trip transaction.

To obtain a daily effective spread estimate, it is common to volume-weight transaction-specific estimates, i.e., for trades of volumes v_{it}, the effective spread on day *d* is the sum of the trades' effective spreads weighted by the trades' shares of total daily volume:

$$vwesp_{id} = \frac{1}{\sum_t v_{it}} \times \sum_t v_{it} esp_{it}. \qquad (7)$$

The purpose of the Pilot is to understand the impact of a prohibition of rebates and we will therefore compute the "cum fee" effective spread (often referred to in the industry as the "economic" spread):[21]

$$cum\ fee\ esp_{it} = esp_{it} + 2 \times taker\ fee_{it}/m_{it}. \qquad (8)$$

[20] The CBOE Volatility Index (VIX) is a calculation designed to produce a measure of constant, 30-day expected volatility of the U.S. stock market, derived from real-time, mid-quote prices of S&P 500 Index call and put options.

[21] This measure will be computed per transaction. We caution that it will be difficult to determine precisely which fees apply; dark, lit, and post-only orders may all command different fees, market-makers may receive bulk-discounts, etc. We will apply a uniform rule by employing only the "most common" fee that applies on the specific venue.

Price Impact and Realized Spread. It is common practice to decompose the effective spread into two components: the *price impact* and the *realized spread*. The price impact measures by how much the trade moves the price and is formally defined as:

$$primp_{it} = 2 \times q_{it} \times \frac{m_{i,t+\tau} - m_{it}}{m_{it}}, \qquad (9)$$

where $m_{i,t+\tau}$ is the CBBO midpoint τ time units after the trade. The idea behind this measure is that trades reveal information about the fundamental value of the underlying security, and the market needs time to incorporate this information into prices. The time horizon τ is set according to the frequency with which a security trades and varies between one second for the frequently traded stocks to five seconds for the less frequently traded ones.

The price impact is directly related to the realized spread, which is defined as:

$$rsp_{it} = esp_{it} - primp_{it} \qquad (10)$$

and is interpreted as the revenue that liquidity providers receive net of the adverse selection costs captured by the price impact. Analogously to the cum fee effective spreads, we will account for the rebates that liquidity providers are eligible to receive and will compute the cum rebate realized spreads as follows:

$$cum\ fee\ rsp_{it} = rsp_{it} + 2 \times maker\ \ rebate/m_{it}. \qquad (11)$$

Implementation Shortfall. Buy-side institutions often trade amounts that are larger than the depth available at the best prices and therefore commonly slice large "parent" orders into smaller "child" orders. The child orders may move market prices away from the price prevalent at the beginning of the large trade and as such increase the total cost of the parent order. Buy-side traders therefore worry about the total cost of their parent orders, which is usually measured by the implementation shortfall (IS).

While we likely cannot identify the buy-side trades directly, we will proxy for parent orders by identifying instances where a single trader executes several trades in the same direction on a given day and trades only in that direction. The total cost associated with such a string of trades will be measured by the implementation shortfall defined as:

$$IS_{it} = q_{it} \times (\$vol_{it} - p_{i0} \times vol_{it}), \qquad (12)$$

where q_{it} is +1 for a string of buys and -1 for a string of sales that begins at time t in stock i, $\$vol_{it}$ is the total dollar volume for the string, p_{i0} is the prevailing mid-quote at the time of the first trade in the string, and vol_{it} is the total share volume for the string.

A positive shortfall indicates that prices move in the same direction as the parent order. In our reporting, the aggregate shortfall will be computed in basis points of the aggregate dollar volume traded. We will consider two types of trade strings: (i) those that originate from marketable orders only and (ii) those that originate from marketable and non-marketable orders.

Passive Order Execution Quality. For retail orders and for large trade strings, we will compute the resting time of non-marketable orders. We will specifically focus on orders with prices that suggest that the submitter is interested in a timely execution. As such, we will consider only orders that are submitted at prices that match or improve the CBBO.

For large trade strings, we will also report the average fraction of volume that is traded with marketable orders. A change in this measure captures the possibility that institutional investors may change their strategies and choose to "cross the spread" more/less often.

Finally, we will examine the ratio of traded to submitted orders; this ratio captures how many orders an institution needs to submit to fill a position. We will consider only the orders submitted at prices matching or improving the CBBO. We will also compute this ratio for share volume.

B. Statistical Analysis

The basis of our statistical approach is a conventional difference-in-differences analysis of a panel dataset (securities×days). Analyses of this kind usually rely on two approaches to examine the treatment effect (i.e., the effect of rebate prohibition). We discuss these approaches below using the bid-ask spread as an example.

In the first approach, the dependent variable ΔDV_{it} is the value of the bid-ask spread for the treated security i at time t less the value for the matched security. Using this dependent variable, we will estimate the following regression:

$$\Delta DV_{it} = \alpha \cdot pilot_t + controls_t + \delta_i + \varepsilon_{it}, \qquad (13)$$

where $Pilot_t$ is an indicator variable set to 1 on the Pilot start date, $controls_t$ are time series controls such as the VIX, and $\underline{\delta_i}$ are security-pair fixed effects. The coefficient of interest α captures the effect of the Pilot on treated securities.[22]

In the second approach, the dependent variable DV_{it} is the value of the bid-ask spread for each security from the treatment and control groups. Using this dependent variable, we will estimate the following regression:

$$\Delta DV_{it} = \alpha_1 \cdot pilot_t + \alpha_2 \cdot pilot_t \times treated_i + \alpha_3 \cdot treated_i + controls_t + \delta_i + \varepsilon_{it}, \quad (14)$$

where $Pilot_t$ is the indicator variable set to 1 on the Pilot start date, $treated_i$ is 1 if the security is from the treatment group and 0 otherwise, $controls_t$ are time series controls such as the VIX, and $\underline{\delta_i}$ are security fixed effects. The coefficient of interest is α_2; it estimates the incremental effect of the Pilot on the treated securities. For instance, with quoted spread as the dependent variable, a positive α_2 will indicate that the spreads for the treatment group increased relative to the control group.

[22] This regression methodology is similar to that in Hendershott and Moulton (2011) and Malinova and Park (2015).

We will conduct inference in all regressions using double-clustered Cameron, Gelbach, and Miller (2011) standard errors, which are robust to cross-sectional correlation and idiosyncratic time-series persistence.[23]

Each approach will use two controls for the market-wide effects that are known to affect trader behaviour and market quality. First, we will use the U.S. volatility index, VIX, to control for the level of market-wide volatility. We acknowledge that Canada has its own volatility index, but note that this index may be directly affected by trading in the sample securities, while the U.S. VIX is less likely to be similarly affected. Second, we will use the cumulative return for the S&P GSCI commodity index. Comerton-Forde, Malinova, and Park (2018) show that this index is highly correlated with the Canadian TSX Composite index, but is unlikely to be significantly affected by trading in Canada and therefore serves as a proxy for Canadian market-wide returns.

V. Anticipated Challenges

We caution that several possible scenarios may affect our ability to deliver meaningful conclusions. First, individual firms in the sample may experience events during the Pilot that render them unusable for the subsequent statistical analyses (e.g., mergers, bankruptcies, or delistings). We will mitigate the impact of such events by building the final sample as close as possible to the start of the Pilot. This said, if one of the above-mentioned events occurs after the sample is finalized, we may omit the affected security and its match from further analyses.

Second, all securities may be affected by major market-wide confounding events. Examples are a failure of a major financial institution, a market crash, or a political event. While a staggered introduction, the use of control groups, and a sufficiently long Pilot period alleviate some of the concerns regarding such events, the CSA will reserve the right to extend the Pilot or to delay the start of the Pilot if necessary.

Third, the marketplaces may develop workarounds for rebate prohibitions that undermine the Pilot, e.g., differentiated fees, bulk discounts, new order types, new venues or order books, etc. Possible effects of such developments will be evaluated by the CSA prior to their approval, with the focus on preserving the scientific integrity of the Pilot.

VI. Timing

We propose that the Pilot match the duration of the SEC Pilot. We also propose that the Pilot proceed in two stages: (i) non-interlisted stocks first and (ii) interlisted stocks second (together with the SEC Pilot), with a three- to six-month separation between the stages, should timing of the SEC Pilot permit.

As we mention earlier, the staggered introduction may alleviate concerns should the Pilot begin around the time of an unexpected market-wide event. For example, in July 2011, the SEC adopted a new rule that restricted some aspects of direct market access (DMA). Several research teams endeavored to analyze this event. Unfortunately, about two weeks after the DMA rule adoption, the U.S. credit rating was downgraded, creating a substantial amount of noise in the data. No research team has been able to produce meaningful conclusions, since the noise completely confounded the results. We caution that a similarly unpredictable event may confound the results of the Pilot if all stocks are introduced at once.

[23] Cameron, Gelbach, and Miller (2011) and Thompson (2011) developed the double-clustering approach simultaneously. See also Petersen (2009) for a detailed discussion of (double-)clustering techniques.

Our conversations with market participants suggest that they share this concern, and we received feedback that the difference between the two-stage and all-at-once alternatives is immaterial in terms of technical implementation.

VII. Communication and Transparency

We believe that transparency is integral when conducting studies and commit to providing timely and comprehensive updates to the CSA for disclosure to market participants.

For the data preparation and analysis stages of our work, we will use SAS, SQL, and Stata coding packages. In the interest of transparency, we will make all codes publicly available via GitHub (the online code depository). Comments for code improvement will be welcome; GitHub includes a comment function. Where possible, we will also provide the data (e.g., the non-proprietary data that will be used for the matching process). We believe that this level of transparency will bring added trust in the integrity of our analysis.

Further, we welcome suggestions for improvement of the proposed Pilot structure and analyses. We recognize the importance of consultation with market participants and coordination with other regulatory bodies and are prepared to consider alternative designs. We have received excellent feedback from the CSA, the members of the OSC Market Structure Advisory Committee, the Canadian Securities Traders Association, and participants at the Rotman Capital Markets Institute Panel Discussion. This report reflects this feedback.

Appendix I: A Sample Matching Procedure

This appendix provides an example of the matching procedure used to assign Canadian stocks interlisted in the U.S. into the treatment and control groups.

Trading volume, price, and market capitalization figures are the latest available from the Canadian Financial Markets Research Centre (CFMRC) database.[24] Trading volume is the average daily dollar volume, price is the closing price, and market capitalization is the product of the price and the number of shares outstanding. We use Canadian dollars for variables that require a price component.

We arrive at the matched sample using the following procedure:

1. We begin with a sample of 181 Canadian securities listed on the Toronto Stock Exchange (TSX) that are also interlisted on the NYSE, NYSE Arca, NYSE MKT, Nasdaq GM, and Nasdaq CM.

2. Among these, we identify 18 securities that trade at prices below $1 and refer to them as low-priced (LP). Price volatility in such securities is rather high, and as we mention previously, LPs are usually excluded from research samples.

3. Among the remaining securities, we identify 107 that are on IIROC's "highly liquid" list. We refer to these as HL stocks, and the remaining 56 securities are nHL (not highly liquid). We match HL stocks to HL stocks and nHL stocks to nHL stocks.

4. For each possible pair of i and j securities, we estimate a match error as follows:

$$matcherror_{ij} = \sum_{k=1}^{3} \left(\frac{C_k^i - C_k^j}{C_k^i + C_k^j} \right)^2 ,$$

   where C_k are natural logs of trading volume, price, and market capitalization as defined above.

5. From the matrix of match errors that spans all stock pairs, we then select stock pairs with the lowest errors, for a total of 53 HL pairs, 28 nHL pairs, and 9 LP pairs.

6. Finally, to assign stocks into the treated and control groups, for each pair we generate a random number between 0 and 1. If this number is below 0.5, we assign the first stock in the pair to be treated and vice versa.

Figure 1 provides an illustration of match quality. The horizontal and vertical axes represent logarithms of market capitalization, dollar volume, and stock price for pairs of securities, with a random assignment of one member in the pair to the treatment and the other to the control group. A good match obtains if the points are on or close to the 45-degree line. A formal *t*-test shows no evidence that the treatment and control samples are different for any of the matching criteria.

[24] http://clouddc.chass.utoronto.ca/ds/cfmrc. In rare cases when CFMRC does not have a valid record for a security, we obtain the missing data from https://www.tmxmoney.com/en/index.html

Appendix II: Questions for Market Participants

1. We propose to define a security as medium-liquid if it trades at least 50 times a day on average and more than $50,000 on average per trading day over the past month. Do you believe that this definition is appropriate? If not, please provide an alternative definition and supporting data, if available, to illustrate which securities your definition captures.

2. We propose to introduce the Pilot in two stages, with non-interlisted securities first, followed by interlisted securities. Do you believe that such staggered introduction will cause material problems for the statistical analysis and the results of the Pilot? If so, please describe your concerns in detail.

3. Several Canadian marketplaces offer formal programs that reward market makers with enhanced rebates in return for liquidity provision obligations. On the one hand, such programs may benefit liquidity. One the other hand, one of the primary objectives of the Pilot is to understand if rebates cause excessive intermediation. In your opinion, should exchanges be allowed to continue using rebates or similar arrangements for market making programs during the Pilot? Do you believe any constraints on such programs during the Pilot to be appropriate?

4. We propose to compute price impacts at the one- and five-second horizons. Do you believe that we should consider other horizons? If so, which ones?

5. We propose to compute time-to-execution for limit orders posted at the CBBO prices or improving these prices. Do you believe that we should consider different price levels? If so, which ones? Please provide supporting data and analysis, if available, to demonstrate the empirical importance of order postings at other levels.

6. We propose a number of market quality metrics. Do you believe that we should consider additional metrics? If so, please outline these metrics and provide supporting data and analysis, if available, to demonstrate their empirical importance.

7. We have had extensive discussions with a number of market participants on whether to include exchange-traded products (ETPs) in the Pilot, and some participants suggest that such an inclusion is warranted. Nevertheless, others point out that trading characteristics of ETPs are substantially different from those of corporate equities and including ETPs will present significant challenges in the matching stage and will likely confound the results in the analysis stage.

These participants and our own research identify the following concerns:

- most liquidity in ETPs is determined and provided by contracted market makers, and the ETP creation/redemption process represents its own source of liquidity;

- matching characteristics that we propose to use for corporate equities do not have the same meaning for ETPs. For instance, ETP fund size is not a relevant metric, and ETP trading volume is usually not correlated with quoting activity or liquidity;

- spillover effects of two types may confound the results. First, liquidity in ETPs relates to liquidity of the underlying basket of securities, and if the basket is significantly affected by the Pilot, the ETP will be affected too. Second, ETPs that follow the same baskets may be viewed not only as good matches, but also as substitutes for investment, hedging, and trading purposes. If one of them is selected to be treated, and the other is not, market participants may move between products, potentially confounding the results of the Pilot.

The above-mentioned concerns make finding matched ETP pairs a uniquely challenging task. To the best of our knowledge, there is no established procedure for matching ETPs to study their trading costs.

As such, in relation to ETP inclusion, we ask that market participants consider the following questions: Given the challenges that ETP matching presents, can the goals of the Pilot be achieved without including ETPs in the sample? If ETP inclusion is important, can you propose a way to construct a matched sample that addresses the concerns identified above?

Appendix III: Responses to Received Questions

The Capital Markets Institute held an open forum on the Pilot at the Rotman School of Management on September 12, 2018.[25] The event included a panel of industry experts who had been asked to comment on various aspects of the Pilot's design. Prior to and during the event as well as in the weeks that followed, we received a number of thoughtful questions and comments from market participants and are grateful for their time and advice. We believe that this design report addresses most of the issues raised during these discussions. We list the most common comments here for reference.

- **Inclusion of less liquid securities.** In our presentation, focusing mainly on statistical considerations, we proposed that the Pilot only examine highly liquid securities. The participant consensus however was to include a broader set of securities. The current version of the design report proposes including a set of securities with medium levels of liquidity. We caution that due to statistical noise the analysis of these securities may be inconclusive. To ensure that the less liquid securities do not contaminate the analysis of liquid securities, we will treat them separately both during the matching and the analysis stages.

- **Rebate prohibition vs. symmetric fees.** Our presentation and several market participants point out that some aspects of the current rebate economics are preserved even if rebates are prohibited. Specifically, some venues may begin charging liquidity makers no fees and charging the takers positive fees, while others may do the opposite. We believe that symmetric "take-take" fees are the only way to entirely eliminate potential conflicts of interest identified in the academic literature (Battalio, Corwin, and Jennings, 2016). The CSA has discussed the possibility of mandating symmetric fees and has decided to pursue only rebate prohibition at this time.

- **Replication of the SEC Pilot buckets.** Several participants suggested that we follow the SEC Pilot structure and use three treatment buckets with varying caps on fees. Unfortunately, there are too few Canadian securities to populate such buckets and to conduct an analysis that allows for meaningful policy advice. For instance, there are only about 100-120 highly liquid interlisted securities. Splitting them into three treatment buckets and one control bucket will result in only 25-30 securities per bucket, leading to statistical estimation problems.

- **Staggered introduction.** We have received several distinct proposals for the staggered introduction of stocks into the Pilot, including, for instance, a step-wise lowering of rebates. We believe that the current design that proposes to treat non-interlisted securities first and interlisted securities second with the SEC Pilot, provides the best compromise between cost/risk considerations and an economically meaningful analysis.

- **Suggestions for the analysis.** Several market participants have made suggestions as to which aspects of market quality we should pay attention to. These include the cost of executing large orders, dealer routing and posting behaviors, dark trading, time to execution, and levels of intermediation. We are grateful for these comments and have incorporated them into the report. We are open to further suggestions that may enhance the analysis.

[25] Presentation slides are available at https://slides.com/ap248/cmi_csa_tickpilot_slides#/.

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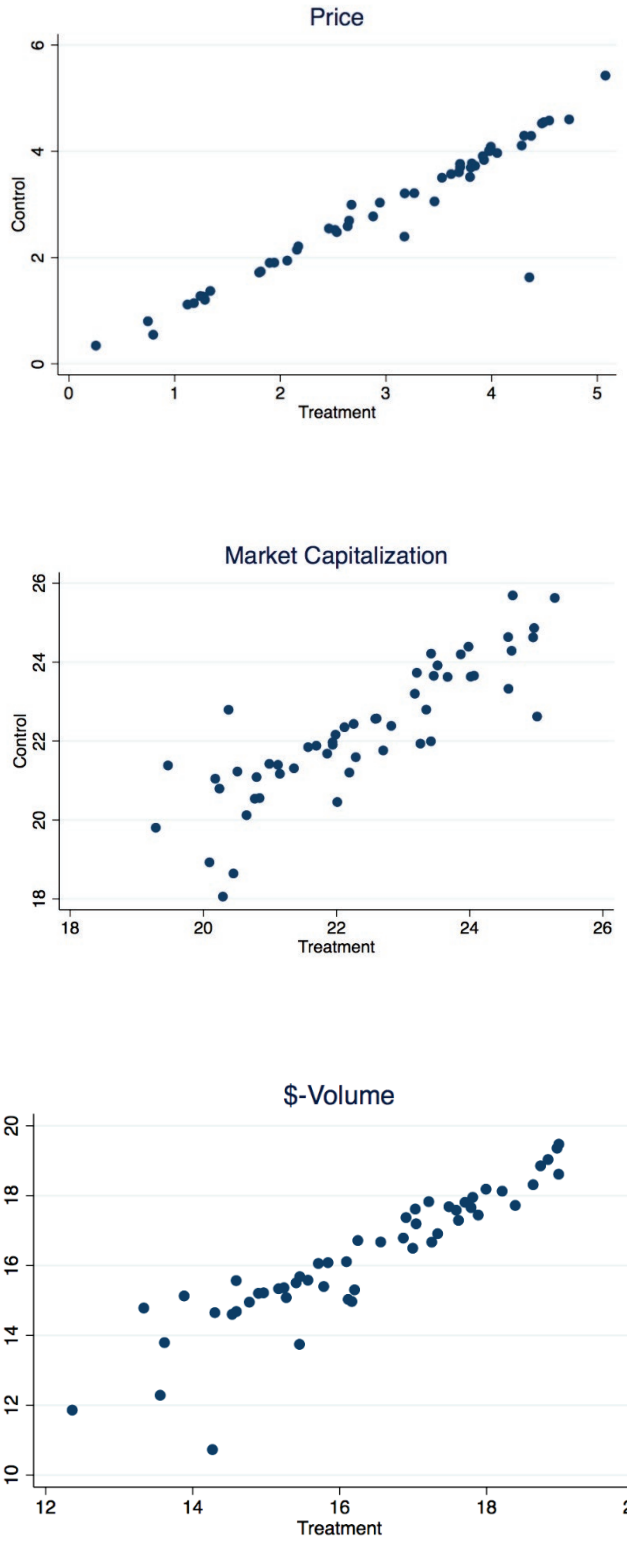
Price
Control
Treatment
0
2
4
6
0
1
2
3
4
5
Market Capitalization
Control
Treatment
18
20
22
24
26
18
20
22
24
26
$-Volume
Control
Treatment
10
12
14
16
18
20
12
14
16
18
20

Figure 1

Appendix B – Draft Model Order

MODEL DRAFT ORDER

IN THE MATTER OF
THE SECURITIES ACT,
RSO 1990, CHAPTER S5, AS AMENDED
(the "Act")

AND

IN THE MATTER OF
[INSERT EXCHANGE/ATS]

([Exchange/ATS short form])

ORDER
(Subsection 21(5)/Section 21.0.1 of the Act)

WHEREAS [Exchange/ATS short form] is an exchange/alternative trading system (ATS) carrying on business in Ontario;

AND WHEREAS if it considers it to be in the public interest, the Ontario Securities Commission (Commission) has the authority to make any decision with respect to the manner in which a recognized exchange/an alternative trading system carries on business;

AND WHEREAS the payment of rebates by a marketplace may be changing behaviours of marketplace participants and creating unnecessary conflicts of interest for dealer routing decisions that may be difficult to manage, contributing to increased segmentation of order flow, and/or contributing to increased intermediation on highly liquid securities;

AND WHEREAS in light of the information set out in the paragraph above, it is the Commission's opinion that it is in the public interest to conduct a pilot study on the prohibition of the payment of rebates by marketplaces for a sample of securities (the Pilot);

AND WHEREAS the Pilot will apply to [insert number] of securities;

AND WHEREAS the objective of the Pilot is to gain a better understanding of the effects of the prohibition of rebate payments by Canadian marketplaces (the Objective) to determine whether the Commission should facilitate the transition to an amended rule regarding the payment of rebates by marketplaces;

IT IS ORDERED that, pursuant to subsection 21(5)/section 21.0.1 of the Act:

1. On [insert Pilot start date], [insert Exchange/ATS] shall implement the Pilot according to the design set out at Appendix A appended to this Order, by eliminating rebates for those securities set out at [insert where treated securities listed] in Appendix A until [insert Pilot end date].

2. Between [insert Pilot start date] and [insert Pilot end date], if [insert Exchange/ATS] seeks any amendment to its Form 21-101F1/2, including the exhibits thereto (the Proposed Amendments), [insert Exchange/ATS] shall file submissions which satisfy the Commission that the Proposed Amendments do not negatively impact the Objective of the Pilot.

DATED this __ day of _____, 201_, to take effect _____, 201_.

_____
[Name]
[Title]
Ontario Securities Commission

_____
[Name]
[Title]
Ontario Securities Commission

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Chapter 7

Insider Reporting

This chapter is available in the print version of the OSC Bulletin, as well as as in Carswell's internet service SecuritiesSource (see www.carswell.com).

This chapter contains a weekly summary of insider transactions of Ontario reporting issuers in the System for Electronic Disclosure by Insiders (SEDI). The weekly summary contains insider transactions reported during the seven days ending Sunday at 11:59 pm.

To obtain Insider Reporting information, please visit the SEDI website (www.sedi.ca).

Chapter 11

IPOs, New Issues and Secondary Financings

INVESTMENT FUNDS

Issuer Name:
BMO Canadian Equity ETF Fund
BMO Concentrated Global Equity Fund
BMO European Fund
BMO International Equity ETF Fund
BMO Tactical Balanced ETF Fund
BMO Tactical Dividend ETF Fund
BMO Tactical Global Asset Allocation ETF Fund
BMO U.S. Equity ETF Fund
BMO Retirement Income Portfolio
BMO Retirement Conservative Portfolio
BMO Retirement Balanced Portfolio
Principal Regulator – Ontario
Type and Date:
Amendment #2 to Final Simplified Prospectus dated December 13, 2018
Received on December 13, 2018
Offering Price and Description:
–
Underwriter(s) or Distributor(s):
BMO Investments Inc.
Promoter(s):
BMO Investments Inc.
Project #2744768

Issuer Name:
Lazard Global Compounders Fund (formerly, Greystone Global Equity Fund)
Bridgehouse Canadian Bond Fund (formerly, Greystone Canadian Bond Fund)
Principal Regulator – Ontario
Type and Date:
Amendment #2 to Final Simplified Prospectus dated December 14, 2018
Received on December 17, 2018
Offering Price and Description:
–
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
Brandes Investment Partners & Co.
Project #2752128

Issuer Name:
Canoe North American Monthly Income Portfolio Class
Canoe U.S. Equity Income Portfolio Class
Principal Regulator – Alberta (ASC)
Type and Date:
Amendment #2 to Final Simplified Prospectus dated December 10, 2018
Received on December 12, 2018
Offering Price and Description:
–
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
Canoe Financial Corp.
Canoe Financial LP
Project #2797142

Issuer Name:
CMP 2019 Resource Limited Partnership
Principal Regulator – Ontario
Type and Date:
Preliminary Long Form Prospectus dated December 17, 2018
Received on December 17, 2018
Offering Price and Description:
Maximum: $50,000,000 – 50,000 Limited Partnership Units
Price per Unit: $1,000
Minimum subscription: $5,000 (Five Units)
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
CIBC World Markets Inc.
National Bank Financial Inc.
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
TD Securities Inc.
Industrial Alliance Securities Inc.
Echelon Wealth Partners Inc.
Canaccord Genuity Corp.
Desjardins Securities Inc.
Raymond James Ltd.
Promoter(s):
Goodman & Company, Investment Counsel Inc.
Project #2857342

Issuer Name:
Dynamic Alpha Performance II Fund
Dynamic Premium Yield PLUS Fund
Principal Regulator – Ontario
Type and Date:
Amendment #1 to Final Simplified Prospectus dated December 12, 2018
Received on December 13, 2018
Offering Price and Description:
–
Underwriter(s) or Distributor(s):
1832 Asset Management L.P.
Promoter(s):
1832 Asset Management L.P.
Project #2808545

Issuer Name:
FÉRIQUE AMERICAN Fund
Principal Regulator – Quebec
Type and Date:
Amendment #1 to Final Simplified Prospectus dated December 13, 2018
Received on December 13, 2018
Offering Price and Description:
–
Underwriter(s) or Distributor(s):
Services d'investissement FÉRIQUE
Promoter(s):
N/A
Project #2765748

Issuer Name:
Guardian Managed Growth Portfolio
Guardian Risk Managed Conservative Portfolio
Guardian SteadyFlow Equity Fund
Guardian SteadyPace Equity Fund
Principal Regulator – Ontario
Type and Date:
Preliminary Simplified Prospectus dated December 13, 2018
NP 11-202 Preliminary Receipt dated December 14, 2018
Offering Price and Description:
Series W and I units
Underwriter(s) or Distributor(s):
Worldsource Financial Management Inc.
Worldsource Securities Inc.
Promoter(s):
Guardian Capital Inc.
Project #2856557

Issuer Name:
Horizons Equal Weight Canada Banks Index ETF
Horizons Equal Weight Canada REIT Index ETF
Horizons Laddered Canadian Preferred Share Index ETF
Principal Regulator – Ontario
Type and Date:
Preliminary Long Form Prospectus dated December 12, 2018
NP 11-202 Preliminary Receipt dated December 12, 2018
Offering Price and Description:
Class A units
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
Horizons ETFs Management (Canada) Inc.
Project #2856177

Issuer Name:
iProfile Canadian Equity Pool
iProfile U.S. Equity Pool
iProfile International Equity Pool
iProfile Emerging Markets Pool
iProfile Fixed Income Pool
iProfile Canadian Equity Class
iProfile U.S. Equity Class
iProfile International Equity Class
iProfile Emerging Markets Class
Investors Canadian Money Market Class
Principal Regulator – Manitoba
Type and Date:
Amendment #1 to Final Annual Information Form dated November 15, 2018
Received on December 13, 2018
Offering Price and Description:
–
Underwriter(s) or Distributor(s):
Investors Group Securities Inc.
Investors Group Financial Services Inc. and Investors Group Securities Inc.
Promoter(s):
I.G. Investment Management, Ltd.
Project #2776318

Issuer Name:
iProfile Canadian Equity Pool
iProfile U.S. Equity Pool
iProfile International Equity Pool
iProfile Emerging Markets Pool
iProfile Fixed Income Pool
iProfile Canadian Equity Class
iProfile U.S. Equity Class
iProfile International Equity Class
iProfile Emerging Markets Class
Investors Canadian Money Market Class
Principal Regulator – Manitoba
Type and Date:
Amendment #1 to Final Annual Information Form dated November 15, 2018
Received on December 13, 2018
Offering Price and Description:
–
Underwriter(s) or Distributor(s):
Investors Group Financial Services Inc. and Investors Group Securities Inc.
Investors Group Financial Inc. and Investors Group Securities Inc..
Promoter(s):
I.G. Investment Management, Ltd.
Project #2776337

Issuer Name:
iShares Core Balanced ETF Portfolio (formerly iShares Balanced Income CorePortfolioTM Index ETF)
iShares Core Growth ETF Portfolio (formerly iShares Balanced Growth CorePortfolioTM Index ETF)
Principal Regulator – Ontario
Type and Date:
Amendment #2 to Final Long Form Prospectus dated December 11, 2018
Received on December 13, 2018
Offering Price and Description:
–
Underwriter(s) or Distributor(s):
BlackRock Asset Management Canada Limited
Promoter(s):
N/A
Project #2762670

Issuer Name:
Maple Leaf Short Duration 2019 Flow-Through Limited Partnership – National Class
Principal Regulator – British Columbia
Type and Date:
Preliminary Long Form Prospectus dated December 13, 2018
Received on December 17, 2018
Offering Price and Description:
–
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
CIBC World Markets Inc.
National Bank Financial Inc.
BMO Nesbitt Burns Inc.
GMP Securities L.P.
Industrial Alliance Securities Inc.
Canaccord Genuity Corp.
Desjardins Securities Inc.
Echelon Wealth Partners Inc.
Manulife Securities Incorporated
Raymond James Ltd.
Laurentian Bank Securities Inc.
Promoter(s):
Maple Leaf Short Duration Holdings Ltd.
Maple Leaf Short Duration 2019 Flow-Through Management Corp.
Project #2857352

Issuer Name:
Maple Leaf Short Duration 2019 Flow-Through Limited Partnership – Quebec Class
Principal Regulator – British Columbia
Type and Date:
Preliminary Long Form Prospectus dated December 13, 2018
Received on December 17, 2018
Offering Price and Description:
–
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
CIBC World Markets Inc.
National Bank Financial Inc.
BMO Nesbitt Burns Inc.
GMP Securities L.P.
Industrial Alliance Securities Inc.
Canaccord Genuity Corp.
Desjardins Securities Inc.
Echelon Wealth Partners Inc.
Manulife Securities Incorporated
Raymond James Ltd.
Laurentian Bank Securities Inc.
Promoter(s):
Maple Leaf Short Duration Holdings Ltd.
Maple Leaf Short Duration 2019 Flow-Through Management Corp.
Project #2857354

Issuer Name:
Steadyhand Builders Fund
Steadyhand Equity Fund
Steadyhand Founders Fund
Steadyhand Global Equity Fund
Steadyhand Global Small-Cap Equity Fund
Steadyhand Income Fund
Steadyhand Savings Fund
Steadyhand Small-Cap Equity Fund
Principal Regulator – British Columbia
Type and Date:
Combined Preliminary and Pro Forma Simplified Prospectus dated December 12, 2018
NP 11-202 Preliminary Receipt dated December 13, 2018
Offering Price and Description:
Series A and O units
Underwriter(s) or Distributor(s):
Steadyhand Investments Funds Inc.
Promoter(s):
Steadyhand Investment Management Ltd.
Project #2856308

Issuer Name:
Cambridge Bond Fund
Principal Regulator – Ontario
Type and Date:
Final Simplified Prospectus dated December 11, 2018
NP 11-202 Receipt dated December 12, 2018
Offering Price and Description:
–
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
CI Investments Inc.
Project #2843827

Issuer Name:
Templeton EAFE Developed Markets Fund
Templeton Emerging Markets Fund
Templeton Emerging Markets Corporate Class
Templeton Frontier Markets Corporate Class
Templeton Global Balanced Fund
Templeton Global Bond Fund
Templeton Global Bond Fund (Hedged)
Templeton Global Smaller Companies Fund
Templeton Global Smaller Companies Corporate Class
Templeton Growth Fund, Ltd.
Templeton Growth Corporate Class
Templeton International Stock Fund
Templeton International Stock Corporate Class
Franklin Global Growth Fund
Franklin Global Growth Corporate Class
Franklin Global Small-Mid Cap Fund
Franklin High Income Fund
Franklin Strategic Income Fund
Franklin Select U.S. Equity Fund (formerly Franklin U.S. Core Equity Fund)
Franklin U.S. Monthly Income Fund
Franklin U.S. Monthly Income Corporate Class
Franklin U.S. Monthly Income Hedged Corporate Class
Franklin U.S. Opportunities Fund
Franklin U.S. Opportunities Corporate Class
Franklin U.S. Rising Dividends Fund
Franklin U.S. Rising Dividends Corporate Class
Franklin U.S. Rising Dividends Hedged Corporate Class
Franklin Bissett Canadian Balanced Fund
Franklin Bissett Canadian Balanced Corporate Class
Franklin Bissett Canadian Bond Fund
Franklin Bissett Canadian Dividend Fund
Franklin Bissett Canadian Dividend Corporate Class
Franklin Bissett Canada Plus Equity Fund
Franklin Bissett Canadian Equity Fund
Franklin Bissett Canadian Equity Corporate Class
Franklin Bissett Canadian Short Term Bond Fund
Franklin Bissett Core Plus Bond Fund
Franklin Bissett Corporate Bond Fund
Franklin Bissett Dividend Income Fund
Franklin Bissett Dividend Income Corporate Class
Franklin Bissett Energy Corporate Class
Franklin Bissett Microcap Fund
Franklin Bissett Money Market Fund
Franklin Bissett Money Market Corporate Class
Franklin Bissett Monthly Income and Growth Fund
Franklin Bissett Small Cap Fund
Franklin Bissett Small Cap Corporate Class
Franklin ActiveQuant Canadian Fund
Franklin ActiveQuant Canadian Corporate Class
Franklin ActiveQuant U.S. Fund
Franklin ActiveQuant U.S. Corporate Class
Franklin Mutual European Fund
Franklin Mutual Global Discovery Fund
Franklin Mutual Global Discovery Corporate Class
Franklin Quotential Balanced Growth Portfolio
Franklin Quotential Balanced Growth Corporate Class Portfolio
Franklin Quotential Balanced Income Portfolio
Franklin Quotential Balanced Income Corporate Class Portfolio
Franklin Quotential Diversified Equity Portfolio

Franklin Quotential Diversified Equity Corporate Class Portfolio
Franklin Quotential Diversified Income Portfolio
Franklin Quotential Diversified Income Corporate Class Portfolio
Franklin Quotential Fixed Income Portfolio
Franklin Quotential Growth Portfolio
Franklin Quotential Growth Corporate Class Portfolio
Principal Regulator – Ontario
Type and Date:
Amendment #2 to Final Simplified Prospectus and Amendment #3 to AIF dated November 19, 2018
NP 11-202 Receipt dated December 13, 2018
Offering Price and Description:
Series A, A (Hedged) F, FT, I, O, OT, PF, PFT, T, T-USD and V
Underwriter(s) or Distributor(s):
Franklin Templeton Investments Corp.
Bissett Investment Management, a division of Franklin Templeton Investments Corp.
Franklin Templeton Investmetns Corp.
Promoter(s):
N/A
Project #2758148

Issuer Name:
iShares Core Balanced ETF Portfolio (formerly iShares Balanced Income CorePortfolioTM Index ETF)
iShares Core Growth ETF Portfolio (formerly iShares Balanced Growth CorePortfolioTM Index ETF)
Principal Regulator – Ontario
Type and Date:
Amendment #2 to Final Long Form Prospectus dated December 11, 2018
NP 11-202 Receipt dated December 17, 2018
Offering Price and Description:
–
Underwriter(s) or Distributor(s):
BlackRock Asset Management Canada Limited
Promoter(s):
N/A
Project #2762670

NON-INVESTMENT FUNDS

Issuer Name:
Canadian Apartment Properties Real Estate Investment Trust
Principal Regulator – Ontario
Type and Date:
Preliminary Short Form Prospectus dated December 14, 2018
NP 11-202 Preliminary Receipt dated December 14, 2018
Offering Price and Description:
$250,250,000.00
5,500,000 Units
Price: $45.50 per Unit
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
CIBC World Markets Inc.
Scotia Capital Inc.
TD Securities Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
Canaccord Genuity Corp.
Desjardins Securities Inc,
Raymond James Ltd.
GMP Securities L.P.
Industrial Alliance Securities Inc.
Promoter(s):
–
Project #2855983

Issuer Name:
Cannabis Strategies Acquisition Corp.
Principal Regulator – Ontario
Type and Date:
Preliminary Long Form Prospectus dated December 10, 2018
NP 11-202 Preliminary Receipt dated December 11, 2018
Offering Price and Description:
No securities are being offered pursuant to this prospectus.
Underwriter(s) or Distributor(s):
–
Promoter(s):
Jonathan Sandelman
Project #2855683

Issuer Name:
Conscience Capital Inc.
Principal Regulator – Ontario
Type and Date:
Preliminary CPC Prospectus dated December 13, 2018
NP 11-202 Preliminary Receipt dated December 14, 2018
Offering Price and Description:
Minimum Offering: $1,000,000.00 or 10,000,000 Common Shares
Maximum Offering: $1,500,000.00 or 15,000,000 Common Shares
Price: $0.10 per Common Share
Underwriter(s) or Distributor(s):
PI Financial Corp.
Promoter(s):
John-David Alexander Belfontaine
Project #2856543

Issuer Name:
Mene Inc.
Principal Regulator – Ontario
Type and Date:
Preliminary Short Form Prospectus dated December 10, 2018
NP 11-202 Preliminary Receipt dated December 11, 2018
Offering Price and Description:
$0.70 per Unit
14,286,000 Units
Underwriter(s) or Distributor(s):
Canaccord Genuity Corp.
Promoter(s):
–
Project #2853782

Issuer Name:
Minto Apartment Real Estate Investment Trust
Principal Regulator – Ontario
Type and Date:
Preliminary Shelf Prospectus dated December 11, 2018
NP 11-202 Preliminary Receipt dated December 12, 2018
Offering Price and Description:
C$750,000,000.00
Units Debt Securities
Underwriter(s) or Distributor(s):
–
Promoter(s):
–
Project #2855981

Issuer Name:
NexPoint Hospitality Trust
Principal Regulator – Ontario
Type and Date:
Preliminary Long Form Prospectus dated December 12, 2018
NP 11-202 Preliminary Receipt dated December 13, 2018
Offering Price and Description:
US$ *
* Units
Price US$15.00 per Unit
Underwriter(s) or Distributor(s):
Raymond James LTD.
Promoter(s):
Brian Mitts
Project #2856324

Issuer Name:
Nouveau Monde Graphite Inc. (auparavant Nouveau Monde Mining Enterprises Inc.)
Principal Regulator – Quebec
Type and Date:
Preliminary Shelf Prospectus dated December 11, 2018
NP 11-202 Preliminary Receipt dated December 13, 2018
Offering Price and Description:
$300,000,000.00
Common Shares
Debt Securities
Subscription Receipts
Warrants
Units
Underwriter(s) or Distributor(s):
–
Promoter(s):
–
Project #2856330

Issuer Name:
Perihelion Capital Ltd.
Principal Regulator – British Columbia
Type and Date:
Amendment dated December 13, 2018 to Preliminary CPC Prospectus dated October 31, 2018
NP 11-202 Preliminary Receipt dated December 14, 2018
Offering Price and Description:
Minimum Offering: $250,000.00 or 2,500,000 Common Shares
Maximum Offering: $600,000.00 or 6,000,000 Common Shares
Price: $0.10 per Common Share
Underwriter(s) or Distributor(s):
Mackie Research Capital Corporation
Promoter(s):
Alexandros Tzilios
Project #2802323

Issuer Name:
The Toronto-Dominion Bank
Principal Regulator – Ontario
Type and Date:
Preliminary Shelf Prospectus dated December 14, 2018
NP 11-202 Preliminary Receipt dated December 17, 2018
Offering Price and Description:
$10,000,000,000.00
Debt Securities (subordinated indebtedness)
Common Shares Class A First Preferred Shares
Warrants to Purchase Preferred Shares
Subscription Receipts
Underwriter(s) or Distributor(s):
–
Promoter(s):
–
Project #2857016

Issuer Name:
TransCanada Corporation
Principal Regulator – Alberta (ASC)
Type and Date:
Preliminary Shelf Prospectus dated December 17, 2018
Received on December 17, 2018
Offering Price and Description:
$2,000,000,000.00
Common Shares
First Preferred Shares
Second Preferred Shares
Subscription Receipts
Underwriter(s) or Distributor(s):
–
Promoter(s):
–
Project #2857258

Issuer Name:
Uranium Participation Corporation
Principal Regulator – Ontario
Type and Date:
Preliminary Shelf Prospectus dated December 12, 2018
NP 11-202 Preliminary Receipt dated December 12, 2018
Offering Price and Description:
Common Shares
Warrants
Units
$200,000,000.00
Underwriter(s) or Distributor(s):
–
Promoter(s):
–
Project #2856139

Issuer Name:
Accord Financial Corp.
Principal Regulator – Ontario
Type and Date:
Final Short Form Prospectus dated December 11, 2018
NP 11-202 Receipt dated December 11, 2018
Offering Price and Description:

$15,000,000.00 – 7.00% Convertible Unsecured Subordinated Debentures
Price: $1,000 per Debenture
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
CIBC World Markets Inc,
Scotia Capital Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
Cormack Securities Inc.
Echelon Wealth Partners Inc.
HSBC Securities (Canada) Inc.
Mackie Research Capital Corporation
Promoter(s):
–
Project #2846353

Issuer Name:
BARRIAN MINING CORP.
Principal Regulator – British Columbia
Type and Date:
Final Long Form Prospectus dated December 14, 2018
NP 11-202 Receipt dated December 17, 2018
Offering Price and Description:
Minimum Offering to raise gross proceeds of $3,000,000 through the issuance of
15,000,000 Shares at a price of $0.20 per Share
Maximum Offering to raise gross proceeds of $4,000,000 through the issuance of
20,000,000 Share at a price of $0.20 per Share
Underwriter(s) or Distributor(s):
Haywood Securities Inc.
Promoter(s):
Max Sali
Project #2839319

Issuer Name:
Cardiol Therapeutics Inc.
Principal Regulator – Ontario
Type and Date:
Final Long Form Prospectus dated December 14, 2018
NP 11-202 Receipt dated December 17, 2018
Offering Price and Description:
3,000,000 UNITS (CDN $15,000,000.00)
CDN $5.00 Per Unit
Underwriter(s) or Distributor(s):
ALTACORP CAPITAL INC.
RAYMOND JAMES LTD.
MACKIE RESEARCH CAPITAL CORPORATION
ECHELON WEALTH PARTNERS INC.
PARADIGM CAPITAL INC.
Promoter(s):
David Elsley
Anthony Bolton
Eldon Smith
Project #2822718

Issuer Name:
Fairfax Financial Holdings Limited
Type and Date:
Final Short Form Prospectus dated December 11, 2018
Receipted on December 11, 2018
Offering Price and Description:
Exchange Offer for US$600,000,000 of its 4.850% Senior Notes due 2028
Underwriter(s) or Distributor(s):
–
Promoter(s):
–
Project #2845549

Issuer Name:
Medicenna Therapeutics Corp.
Principal Regulator – Ontario
Type and Date:
Final Short Form Prospectus dated December 14, 2018
NP 11-202 Receipt dated December 17, 2018
Offering Price and Description:
Minimum: $4,000,000.00 (4,000,000 Units)
Maximum: $6,000,000.00 (6,000,000 Units)
Price: $1.00 per Unit
Underwriter(s) or Distributor(s):
Bloom Burton Securities Inc.
Mackie Research Capital Corporation
Richardson GMP Limited
Promoter(s):
–
Project #2839948

Issuer Name:
Saputo Inc.
Principal Regulator – Quebec
Type and Date:
Final Shelf Prospectus dated December 12, 2018
NP 11-202 Receipt dated December 13, 2018
Offering Price and Description:
$2,000,000,000.00
Medium Term Notes (Unsecured)
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
RBC Dominion Securities Inc.
Desjardins Securities Inc.
CIBC World Markets Inc.
Scotia Capital Inc.
TD Securities Inc.
Merrill Lynch Canada Inc.
MUFG Securities (Canada) Ltd
Rabo Securities Canada Inc.
Promoter(s):
–
Project #2853850

Issuer Name:
Transcanna Holdings Inc.
Principal Regulator – British Columbia
Type and Date:
Final Long Form Prospectus dated December 10, 2018
NP 11-202 Receipt dated December 11, 2018
Offering Price and Description:
Minimum of 2,400,000 Units up to a Maximum of 3,000,000 Units
Price: $0.50 per Unit
Minimum of $1,200,000.00 up to a Maximum of $1,500,000.00
Each Unit comprises one common share and one share purchase warrant
Underwriter(s) or Distributor(s):
Haywood Securities Inc.
Promoter(s):
James Pakulis
Project #2788290

Issuer Name:
UrbanGold Minerals Inc.
Principal Regulator – Ontario
Type and Date:
Final Long Form Prospectus dated December 13, 2018
NP 11-202 Receipt dated December 14, 2018
Offering Price and Description:
Minimum of $850,000.00 (8,500,000 Units)
Maximum of $1,500,000.00 (15,000,000 Units)
Price: $0.10 per Unit
Minimum of $1,000,000.00 (7,692,308 Flow-Through Common Shares)
Maximum of $1,500,000.00 (11,58,462 Flow-Through Common Shares)
Price: $0.13 per Flow-Through Common Share
Underwriter(s) or Distributor(s):
Industrial Alliance Securities Inc.
Promoter(s):
Jens Eskelund-Hansen
Project #2828893

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Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
New Registration	IIFL Capital Pte Ltd.	Portfolio Manager	December 13, 2018
Consent to Suspension (Pending Surrender)	Oakpoint Asset Management Inc.	Portfolio Manager	December 14, 2018
Consent to Suspension (Pending Surrender)	OceanRock Investments Inc.	Investment Fund Manager and Portfolio Manager	December 17, 2018

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Chapter 13

SROs, Marketplaces, Clearing Agencies and Trade Repositories

13.2 Marketplaces

13.2.1 Bloomberg Trading Facility Limited – Notice of Commission Order

BLOOMBERG TRADING FACILITY LIMITED

NOTICE OF COMMISSION ORDER

On December 14, 2018, the Commission issued a variation order pursuant to section 144 of the *Securities Act* (Ontario) extending the interim order exempting Bloomberg Trading Facility Limited (BMTF) from the requirement to be recognized as an exchange, so that the interim order will expire on the earlier of (i) July 3, 2019 and (ii) the effective date of a subsequent order exempting BMTF from the requirement to be recognized as an exchange.

A copy of the order is published in Chapter 2 of this Bulletin.

13.2.2 TSX – Notice of Housekeeping Rule Amendments to the TSX Company Manual

TORONTO STOCK EXCHANGE

NOTICE OF HOUSEKEEPING RULE AMENDMENTS TO THE TSX COMPANY MANUAL

Introduction

In accordance with the Process for the Review and Approval of Rules and the Information Contained in Form 21-101F1 (the "**Protocol**"), Toronto Stock Exchange ("**TSX**") has adopted, and the Ontario Securities Commission has approved, certain housekeeping amendments (the "**Amendments**") to Parts III, IV, VI, VII, IX, and XI of the TSX Company Manual (the "**Manual**"). The Amendments are Housekeeping Rules under the Protocol and therefore have not been published for comment. The Ontario Securities Commission has not disagreed with the categorization of the Amendments as Housekeeping Rules.

Reasons for the Amendments

The Amendments relate to non-public interest changes and include fixing typographical errors, clarifying provisions, and **amending** the requirements to file Personal Information Forms ("**PIF**") or Declarations for Exchange Traded Funds ("ETFs").

Summary of the Non-Public Interest Amendments

	Section of the Manual	Amendment	Rationale
1.	345 – Listing Application Procedure	Update references to contact information.	Update references to contact information.
2.	423.6 – Disclosing Material Information	Amend language to correct typographical error.	Correct typographical error.
3.	606(a) – Prospectus Offerings	Amend language to correct typographical error.	Correct typographical error.
4.	626 – Backdoor Listings	Amend language to clarify the application of the section.	Amend the language to reflect, and provide clarity on, the practice used by TSX with respect to the application of the section.
5.	629(h) and 629(i) – Special Rules Applicable to Normal Course Issuer Bids	Amend language to correct typographical errors, and to clarify when purchases can commence under an amended normal course issuer bid ("**NCIB**").	Amend the language to reflect the practice used by TSX with respect purchases in the context of amended NCIBs.
6.	716 – Management	Amend language to clarify TSX practice and to conform to changes made for ETFs in Section 1101.	Amend language to clarify TSX practice and to conform to changes made in Section 1101.
7.	910 – News Services and Publications	Amend language to refer to TSX website for a list of key segments of the news media.	Amend language to refer to TSX website for a list of key segments of the news media.
8.	1101 – Introduction	Amend language to clarify requirements to file PIFs or Declarations for ETFs.	To alleviate administrative burden on the ETFs, rather than treating each ETF as a new issuer, TSX will treat each ETF fund manager as a new issuer so that where the insiders of a fund manager have previously filed a PIF and launch a new ETF, neither a PIF nor a Declaration is required to be filed. Also reserving the right of TSX to request a PIF for any individual associated with an ETF.

Text of the Amendments

The Amendments are set out as blacklined text at **Appendix A**. For ease of reference, a clean version of the Amendments are set out at **Appendix B**.

Effective Date

The Amendments become effective on December 20, 2018.

APPENDIX A

BLACKLINES OF
NON-PUBLIC INTEREST AMENDMENTS TO THE TSX COMPANY MANUAL

Change No. 1

Sec. 345.

Listings is available for consultation regarding the preparation of the Listing Application and the listing process. Contact Company Listings ~~at (416) **947-4533** or~~by e-mail: ~~listedissuers@tsx.com~~listedissuers@tmx.com.

Change No. 2

Sec. 423.6.

[…]

The names of the designated officers, the names of their ~~hack~~back-ups, and their areas of responsibility should be given to Market Surveillance. Market Surveillance may need to contact them in the event of unusual trading in the company's securities.

Change No. 3

Sec. 606. Prospectus Offerings

(a) Listed issuers proposing to issue securities of a listed class pursuant to a prospectus must file one copy of the preliminary prospectus with TSX concurrently with the filing thereof with the applicable securities commissions. The notice requirement contained in Subsection 602(a) will be satisfied by the ~~tiling~~filing of the preliminary prospectus, together with a letter which must state: (i) whether any insider has an interest, directly or indirectly, in the transaction and the nature of such interest; (ii) whether and how the transaction could materially affect control of the listed issuer; (iii) the anticipated number of purchasers under the offering; and (iv) whether an "if, as and when issued" market may be requested.

Change No. 4

Sec. 626.

A "backdoor listing" occurs when a transaction results in the acquisition by or of a listed issuer of or by an entity not currently listed on TSX. The transaction may be a series of transactions and may take one of a number of forms, including an issuance of securities for assets, an amalgamation or a merger.

Change No. 5

Sec. 629. Special Rules Applicable to Normal Course Issuer Bids

[…]

(h) A normal course issuer bid may commence on the date that is two trading days after the later of:

(i) the date of acceptance by TSX of the listed issuer's ~~notice in~~ final executed Form 12 notice; or

(ii) the date of issuance of the news release required by Subsection (f) of this Section 629.

(i) During a normal course issuer bid, a listed issuer may determine to amend its notice by increasing the number of securities sought while not exceeding: (i) the maximum percentages referred to in the definition of normal course issuer bid or (ii) provided that the issuer has increased its number of issued securities which are subject to the bid by at least 25% from the number of issued securities as at the date of acceptance of the notice of normal course issuer bid by TSX, the maximum percentages referred to in the definition of normal course issuer bid, as at the date of the amended notice. When the amended notice is in a form acceptable to TSX, the listed issuer shall file the amended notice in final form, duly executed by a senior officer or director of the listed issuer, for acceptance by TSX. ~~The final form of the amended notice must be filed at least three clear trading days prior to the commencement of any purchases under the amended bid.~~ In addition, a draft press release must be provided to TSX and the listed issuer shall issue a press release as soon as the amended notice is accepted by TSX. A copy of the final press release shall be filed with TSX. Upon acceptance of the amended notice, TSX will publish a summary notification of the normal course issuer bid in its Daily Record. The

amended normal course issuer bid may commence on the date that is two trading days after the later of: (i) the date of acceptance by TSX of the listed issuer's final amended and executed Form 12 notice; or (ii) the date of issuance of the news release required by this Section 629(i).

Change No. 6

Sec. 716.

[…]

Once submitted and cleared by the Exchange, a Personal Information Form (Form 4 – Appendix H) for an insider of a corporate issuer, including a person acting in a similar capacity for an ETF, is valid for a time period of three years, absent any material change in the information submitted. ~~Once~~An insider of a corporate issuer, including a person acting in a similar capacity for an ETF, may submit a completed Declaration (Form 4B – Appendix H) in lieu of a Personal Information Form ~~(Form 4 – Appendix H) has been~~within such three year period absent any material change in the information submitted in the original Personal Information Form. For ETFs, see also Section 1101. Once submitted and cleared by the Exchange, ~~such clearance is valid for a period of one calendar year~~a Personal Information Form (Form 4 – Appendix H) for Non-Corporate Issuers~~. After~~ (other than ETFs) is valid for a time period of one year, ~~subject to there having been no~~absent any material change in the information submitted ~~to the Exchange in the original Personal Information Form (Form 4 – Appendix H), an~~. An insider of a Non-Corporate Issuers (other than ETFs) may submit a completed Declaration (Form 4B – Appendix H) in ~~connection with a new listing application~~lieu of a Personal Information Form within and after such one year period absent any material change in the information submitted in the original Personal Information Form.

Change No. 7

Sec. 910.

As a matter of routine procedure, all information of importance should be released as quickly as circumstances permit, and to as broad an audience as possible. After notification to Market Surveillance, a news release must be transmitted to the media by the quickest possible method, and by one that provides the widest dissemination possible. To ensure that the entire financial community is aware of the news at the same time, the Exchange's timely disclosure policy requires that a wire service (or combination of services) be used which provides national and simultaneous coverage of the full text of the release to the national financial press and daily newspapers that provide regular coverage of financial news, to all Participating Organizations and to all relevant regulatory bodies. If the officials of a listed company have any questions about the acceptability of a particular means of dissemination, they should contact Market Surveillance. A list of key segments of the news media ~~is set out below~~can be found at: https://www.tsx.com/listings/tsx-and-tsxv-issuer-resources/tsx-issuer-resources/continuous-disclosure.

~~**A)** Paid Distribution News Services (providing full text coverage)~~

~~CNW Group~~

~~Marketwire Inc.~~

~~GlobeNewswire, Inc.~~

~~Filing Services Canada Inc.~~

~~Business Wire~~

~~Newsfile Corp.~~

~~**B)** Financial News Services~~

~~Dow Jones (Toronto)~~

~~Dow Jones (Montréal)~~

~~Reuters (Toronto)~~

~~Reuters (Montréal)~~

~~Bloomberg News~~

~~Canadian Press (Toronto)~~

~~Canadian Press (Montréal)~~

~~These news ticker services transmit information to the financial community in Canada, the United States and other countries.~~

~~C) Some Prominent Canadian Publications Providing National News Coverage~~

~~1. The Globe and Mail~~

~~2. The National Post~~

~~3. The Toronto Star~~

~~4. The Vancouver Sun~~

~~5. The Montréal Gazette~~

~~6. La Presse~~

~~7. Les Affaires~~

~~8. Calgary Herald~~

~~9. Edmonton Journal~~

~~10. Northern Miner~~

~~11. The Halifax Chronicle Herald~~

~~12. The Winnipeg Free Press~~

~~13. The Leader-Post (Regina)~~

~~14. The London Free Press~~

Change No. 8

A. Original Listing Requirements

Sec. 1101. Introduction

[…]

The Exchange will also take into consideration an applicant's status regarding compliance with the requirements of other regulatory agencies. In addition, the Exchange must be satisfied that an applicant is in compliance with Exchange policies applicable to listed issuers, including policies described in Part III~~.~~, except in the case of ETFs in respect of the requirement to provide Personal Information Forms for each insider of the ETF under Section 339. For ETFs, the Exchange will require Personal Information Forms only from each insider of an ETF manager. Absent any material change in the information submitted in the original Personal Information Form, an insider of an ETF manager does not need to file a new Personal Information Form or Declaration for so long as he or she remains associated with the same ETF manager to which the original Personal Information Form relates. The Exchange may require Personal Information Forms from any individual associated with the ETF, as the Exchange determines appropriate.

APPENDIX B
NON-PUBLIC INTEREST AMENDMENTS TO THE TSX COMPANY MANUAL

Change No. 1

Sec. 345.

Listings is available for consultation regarding the preparation of the Listing Application and the listing process. Contact Company Listings by e-mail: listedissuers@tmx.com.

Change No. 2

Sec. 423.6.

[…]

The names of the designated officers, the names of their back-ups, and their areas of responsibility should be given to Market Surveillance. Market Surveillance may need to contact them in the event of unusual trading in the company's securities.

Change No. 3

Sec. 606. Prospectus Offerings

(a) Listed issuers proposing to issue securities of a listed class pursuant to a prospectus must file one copy of the preliminary prospectus with TSX concurrently with the filing thereof with the applicable securities commissions. The notice requirement contained in Subsection 602(a) will be satisfied by the filing of the preliminary prospectus, together with a letter which must state: (i) whether any insider has an interest, directly or indirectly, in the transaction and the nature of such interest; (ii) whether and how the transaction could materially affect control of the listed issuer; (iii) the anticipated number of purchasers under the offering; and (iv) whether an "if, as and when issued" market may be requested.

Change No. 4

Sec. 626.

A "backdoor listing" occurs when a transaction results in the acquisition by or of a listed issuer of or by an entity not currently listed on TSX. The transaction may be a series of transactions and may take one of a number of forms, including an issuance of securities for assets, an amalgamation or a merger.

Change No. 5

Sec. 629. Special Rules Applicable to Normal Course Issuer Bids

[…]

(h) A normal course issuer bid may commence on the date that is two trading days after the later of:

(i) the date of acceptance by TSX of the listed issuer's final executed Form 12 notice; or

(ii) the date of issuance of the news release required by Subsection (f) of this Section 629.

(i) During a normal course issuer bid, a listed issuer may determine to amend its notice by increasing the number of securities sought while not exceeding: (i) the maximum percentages referred to in the definition of normal course issuer bid or (ii) provided that the issuer has increased its number of issued securities which are subject to the bid by at least 25% from the number of issued securities as at the date of acceptance of the notice of normal course issuer bid by TSX, the maximum percentages referred to in the definition of normal course issuer bid, as at the date of the amended notice. When the amended notice is in a form acceptable to TSX, the listed issuer shall file the amended notice in final form, duly executed by a senior officer or director of the listed issuer, for acceptance by TSX. In addition, a draft press release must be provided to TSX and the listed issuer shall issue a press release as soon as the amended notice is accepted by TSX. A copy of the final press release shall be filed with TSX. Upon acceptance of the amended notice, TSX will publish a summary notification of the normal course issuer bid in its Daily Record. The amended normal course issuer bid may commence on the date that is two trading days after the later of: (i) the date of acceptance by TSX of the listed issuer's final amended and executed Form 12 notice; or (ii) the date of issuance of the news release required by this Section 629(i).

Change No. 6

Sec. 716.

[…]

Once submitted and cleared by the Exchange, a Personal Information Form (Form 4 – Appendix H) for an insider of a corporate issuer, including a person acting in a similar capacity for an ETF, is valid for a time period of three years, absent any material change in the information submitted. An insider of a corporate issuer, including a person acting in a similar capacity for an ETF, may submit a completed Declaration (Form 4B – Appendix H) in lieu of a Personal Information Form within such three year period absent any material change in the information submitted in the original Personal Information Form. For ETFs, see also Section 1101. Once submitted and cleared by the Exchange, a Personal Information Form (Form 4 – Appendix H) for Non-Corporate Issuers (other than ETFs) is valid for a time period of one year, absent any material change in the information submitted. An insider of a Non-Corporate Issuers (other than ETFs) may submit a completed Declaration (Form 4B – Appendix H) in lieu of a Personal Information Form within and after such one year period absent any material change in the information submitted in the original Personal Information Form.

Change No.7

Sec. 910.

As a matter of routine procedure, all information of importance should be released as quickly as circumstances permit, and to as broad an audience as possible. After notification to Market Surveillance, a news release must be transmitted to the media by the quickest possible method, and by one that provides the widest dissemination possible. To ensure that the entire financial community is aware of the news at the same time, the Exchange's timely disclosure policy requires that a wire service (or combination of services) be used which provides national and simultaneous coverage of the full text of the release to the national financial press and daily newspapers that provide regular coverage of financial news, to all Participating Organizations and to all relevant regulatory bodies. If the officials of a listed company have any questions about the acceptability of a particular means of dissemination, they should contact Market Surveillance. A list of key segments of the news media can be found at: https://www.tsx.com/listings/tsx-and-tsxv-issuer-resources/tsx-issuer-resources/continuous-disclosure.

Change No. 8

A. Original Listing Requirements

Sec. 1101. Introduction

[…]

The Exchange will also take into consideration an applicant's status regarding compliance with the requirements of other regulatory agencies. In addition, the Exchange must be satisfied that an applicant is in compliance with Exchange policies applicable to listed issuers, including policies described in Part III, except in the case of ETFs in respect of the requirement to provide Personal Information Forms for each insider of the ETF under Section 339. For ETFs, the Exchange will require Personal Information Forms only from each insider of an ETF manager. Absent any material change in the information submitted in the original Personal Information Form, an insider of an ETF manager does not need to file a new Personal Information Form or Declaration for so long as he or she remains associated with the same ETF manager to which the original Personal Information Form relates. The Exchange may require Personal Information Forms from any individual associated with the ETF, as the Exchange determines appropriate.

13.2.3 Canadian Securities Exchange – Form 9 Notice of Proposed Issuance of Listed Securities and Policy 6 Distributions – Notice of Approval

CANADIAN SECURITIES EXCHANGE

NOTICE OF APPROVAL

FORM 9 NOTICE OF PROPOSED ISSUANCE OF LISTED SECURITIES AND POLICY 6 DISTRIBUTIONS

In accordance with the *Process for the Review and Approval of Rules and the Information Contained in Form 21-101F1 and the Exhibits Thereto*, CNSX Markets Inc. (“CSE”) has adopted, and the Ontario Securities Commission has approved, public interest rule amendments to Form 9 – *Notice of Proposed Issuance of Listed Securities* (“Form 9”) and consequential housekeeping rule amendments to Policy 6 – *Distributions* (“Policy 6”) published for comment August 31, 2018.

The public interest rule amendments repeal the requirement for listed issuers to post to the CSE website certain information related to purchasers in an exempt distribution. Only investors that are Related Persons, as defined in CSE Policy 1, must be identified in the posted Form 9. There are related changes proposed to Policy 6 to clarify filing procedures.

Following publication of the notice, it was determined that non-material changes would be made to Form 9 related to Issuer certification that it had obtained consent from applicable individuals in disclosing their information. The text of the additional non-material changes is included in the CSE notice.

A copy of the CSE notice is published on our website at http://www.osc.gov.on.ca.

13.2.4 Canadian Securities Exchange – Introduction of Monthly Tier Credits – Top of Book – Notice of Approval

CANADIAN SECURITIES EXCHANGE

NOTICE OF APPROVAL

INTRODUCTION OF MONTHLY TIER CREDITS – TOP OF BOOK

In accordance with the *Process for the Review and Approval of Rules and the Information Contained in Form 21-101F1 and the Exhibits Thereto* ("Protocol"), CNSX Markets Inc. ("CSE") has adopted, and the Ontario Securities Commission (“OSC”) has approved, the Introduction of Monthly Tier Credits – Top of Book (“Fee Change”).

The Fee Change will provide monthly tier credits to traders that have placed orders reaching a stated target percentage of time at the NBBO on a per symbol basis for TSX-listed securities trading equal to or greater than $1.00. The monthly tier credits are calculated on all of the trader’s eligible passive trades for that symbol for the month.

On November 2, 2018 the CSE Request for Comment on the proposed fee changes was published on the Commission’s website and in the Commission’s Bulletin on November 7, 2018 at (2018), 41 OSCB 8893. The period for public comment expired on December 3, 2018.

CSE received no comment letters.

The fee changes will take effect on January 1, 2019.

The full text of the fee change is available in Notice 2018-009 at http://thecse.com.

A copy of the CSE Notice is published on our website at www.osc.gov.on.ca.

13.2.5 Liquidnet Canada Inc. – Changes to Broker Blocks Functionality – Notice of Approval

LIQUIDNET CANADA INC.

NOTICE OF APPROVAL

CHANGES TO BROKER BLOCKS FUNCTIONALITY

In accordance with the *Process for the Review and Approval of the Information Contained in Form 21-101F2 and the Exhibits Thereto* (Protocol), on December 13, 2018, the Commission approved significant changes to Form 21-101F2 for Liquidnet Canada Inc. (Liquidnet) relating to the existing broker blocks functionality that would alert counterparties that opt in as to whether they are trading against a buy side or sell side dealer.

Liquidnet's Notice and Request for Comment on the proposed change described above was published on the Commission's website and in the Commission's Bulletin on November 1, 2018, at (2018), 41 OSCB 8756. No comment letters were received.

13.2.6 TriAct Canada Marketplace LP – Amendments to Trading System Functionality – Notice of Approval

TRIACT CANADA MARKETPLACE LP

AMENDMENTS TO TRADING SYSTEM FUNCTIONALITY

NOTICE OF APPROVAL

INTRODUCTION

In accordance with the *Process for the Review and Approval of Rules and the Information Contained in Form 21-101F2 and the Exhibits Thereto*, TriAct Canada Marketplace LP (also known as "MATCHNow") has adopted, and the Ontario Securities Commission ("OSC") has approved, significant changes to the MATCHNow Trading System (the "Amendments").

DESCRIPTION OF THE AMENDMENTS

The Amendments concern MATCHNow's proprietary pro-rata-based methodology for trade matching. Specifically, the Amendments relate to the description and examples of (1) the way in which the pro-rata methodology allocates residual board lots, and (2) how the rounding functionality operates within the pro-rata methodology.

These amendments are categorized as "significant changes" and should have been previously filed with the OSC. Due to an unintended oversight, these changes were not submitted to the OSC at the relevant time and, as a result, MATCHNow's "In Detail" document had not been accurately describing the pro-rata functionality. The inaccuracies have now been corrected.

MATCHNow has prepared a client notice describing the approved Amendments which can be found at www.osc.gov.on.ca.

IMPLEMENTATION

The Amendments have already been implemented.

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