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CSA Staff Notice 21-325
Follow-up on Marketplace Systems Incidents

March 15, 2019

Introduction

The prompt reporting and resolution of material systems failures, malfunctions, delays and security incidents by marketplaces is a critical component of fair and orderly markets for the trading of securities in Canada. Canada's multiple marketplace environment is heavily dependent on the proper functioning of marketplaces' systems. Material systems incidents,[1] and the way in which marketplaces address them, can have a significant impact on marketplace participants and investors.

The Canadian Securities Administrators staff (**CSA Staff** or **we**) are committed to the robust oversight of the requirements in respect of the systems that marketplaces use to support, among other things, order entry, order routing, execution, trade reporting, data feeds and market surveillance and the prompt and comprehensive reporting of material systems incidents. Following the service interruption on April 27, 2018 that affected trading on TSX Inc. (**TSX**), Alpha Exchange Inc. (**Alpha**), TSX Venture Exchange Inc. (**TSXV**) and Bourse de Montréal (**MX**) (the **Incident**), CSA Staff undertook a review of the Incident and identified several issues that required further examination and follow up.

This notice discusses the issues identified by CSA Staff during the course of, and as a result of, the Incident, through discussions with the affected marketplaces, market participants and the Investment Industry Regulatory Organization of Canada (**IIROC**), as well as follow-up actions that CSA Staff have taken or intend to take going forward.

CSA Staff Review

We have completed a review of the Incident and specifically examined the steps taken in relation to a marketplace's obligation to report and remediate material systems incidents, including prompt notification to the appropriate regulators, other marketplaces, regulation services providers and marketplace participants.

Together with IIROC staff we gathered information about the trading activity of dealers during and after the Incident and solicited feedback from marketplace participants, information vendors and other marketplaces impacted by the Incident.

Based on our review and the feedback received from marketplace participants, it became clear that the Incident represented an opportunity to examine the current regulatory requirements and guidance in place for marketplaces regarding both reporting of material systems incidents and periodic reporting of systems outages. In addition, our review identified issues regarding the treatment of retail orders in the market during the Incident.

We identified a number of follow-up areas, including:

- Current reporting requirements for marketplace systems incidents;
- Communication to marketplace participants;

[1] Material systems failures, malfunctions, delays or security breaches for each system, operated by or on behalf of a marketplace, that supports order entry, order routing, execution, trade reporting, trade comparison, data feeds, market surveillance and trade clearing.

- Market on Close facility and alternative closing price calculation; and
- Retail investors' trading activity.

Current Reporting Requirements for Marketplace Systems Incidents

Currently, there are regulatory requirements for reporting by marketplaces of material systems incidents.

Paragraph 12.1(c) of National Instrument 21-101 *Marketplace Operation* (**NI 21-101**) requires marketplaces to promptly notify the securities regulatory authorities of any material systems failures, malfunctions, delays or security breaches for each system, operated by or on behalf of a marketplace, that supports order entry, order routing, execution, trade reporting, trade comparison, data feeds, market surveillance or trade clearing. In addition, marketplaces must also provide timely updates on the status of any failure, malfunction, delay or security breach, the resumption of service and the results of the marketplace's internal review of the incident.

Subsection 14.1(4) of the Companion Policy to NI 21-101 *Marketplace Operation* (**21-101CP**) states that a failure, malfunction or delay is considered to be "material" if the marketplace would, in its normal course of operations, inform or escalate the matter to its senior management responsible for technology. We note that the determination of whether a system failure, malfunction or delay is material ultimately rests with the marketplace itself.

In addition, under subsection 6.3(1) of National Instrument 23-101 *Trading Rules* (**NI 23-101**), if a marketplace experiences a failure, malfunction or material delay of its systems, equipment or ability to disseminate marketplace data, the marketplace must immediately notify:

(a) all other marketplaces;

(b) all regulation services providers;

(c) its marketplace participants; and

(d) any information processor or, if there is no information processor, any information vendor that disseminates its data under Part 7 of NI 21-101.

As a result of the Incident, we identified the need for additional guidance to be provided regarding the requirement of subsection 12.1(c) of NI 21-101 to "promptly notify the regulators" in the event of a material system failure, malfunction or delay. This guidance, CSA Staff Notice 21-326 *Guidance for Reporting Material System Incidents* (the **Guidance**), discusses the current regulatory requirements and provide additional guidance around the reporting of material systems failures, delays or malfunctions by marketplaces and the appropriate form and content of such notification. This Guidance will be published at the same time as this notice, specifically on March 15, 2019.

Communication to Marketplace Participants

Feedback from marketplace participants coupled with our observations during and after the Incident also identified the need for additional guidance regarding:

- The state of the orders in the books during an incident;
- Whether a pre-open session will be available to marketplace participants in the event of re-opening for trading and the length of such session; and
- The trade reconciliation process, including communication in the event reconciliation issues occur.

We remind marketplaces to be mindful of their obligations under subsection 6.3(1) of NI 23-101 and to ensure that information about the issues identified above will be readily available to marketplace participants at all times.

Market on Close (MOC) Facility and Alternative Closing Price Calculation

Following the Incident, concerns were expressed by market participants about the fact that the MOC auction did not run at the end of the day as well as the use of the last trading price of a security during the regular trading session as the official closing price for that security.

Some market participants suggested that a back-up MOC facility should be considered, while others indicated that the development of a back-up MOC facility may not be an appropriate solution since the cost of developing and maintaining a back-

up MOC facility may ultimately exceed the benefits of having one. Also, some market participants suggested that an alternative closing price methodology should be developed and be applied in the event of a material systems incident that ultimately impedes the operation of the MOC facility and the calculation of the closing price.

We understand that TSX staff is currently discussing with market participants the possibility of an alternative closing price methodology that could be applied in the event of a material systems failure, malfunction or delay that would ultimately impede a proper closing price calculation. We will continue to monitor and receive updates about this development.

Retail Investor Trading Activity

Together with IIROC staff, we examined the trading activity on the day of the Incident. That examination and our discussions with dealers revealed that retail trading was impacted the most during the Incident and following the decision not to re-open for the day.

We noted that in some cases retail orders were treated differently from institutional and proprietary orders, not only due to uncertainty regarding the state of the orders in the market, but also because the platforms of certain dealers rely solely on TSX and TSXV market data to provide quotes to their retail clients. The lack of market data from the TSX and TSXV during the Incident precluded retail clients from trading.

We will continue to work with IIROC staff to determine whether and to what extent additional steps or guidance is warranted regarding the treatment of retail orders during market disruption events and the appropriate use of market data. We expect that, in case of a material system failure, malfunction or delay all orders would be treated in a similar manner.

Questions

Please refer your questions to any of the following people:

Christopher Byers Senior Legal Counsel, Market Regulation Ontario Securities Commission cbyers@osc.gov.on.ca	Alina Bazavan Senior Analyst, Market regulation Ontario Securities Commission abazavan@osc.gov.on.ca
Alex Petro Trading Specialist, Market Regulation Ontario Securities Commission apetro@osc.gov.on.ca	Serge Boisvert Analyste en réglementation Direction des bourses et des OAR Autorité des marchés financiers serge.boisvert@lautorite.qc.ca
Sasha Cekerevac Senior Analyst, Market Structure Alberta Securities Commission sasha.cekerevac@asc.ca	Doug Mackay Manager, Market and SRO Oversight British Columbia Securities Commission dmackay@bcsc.bc.ca

1.1.2 CSA Staff Notice 21-326 Guidance for Reporting Material Systems Incidents

CSA/ACVM Canadian Securities Administrators Autorités canadiennes en valeurs mobilières

CSA Staff Notice 21-326
Guidance for Reporting Material Systems Incidents

March 15, 2019

Introduction

Staff of the Canadian Securities Administrators (**CSA Staff** or **we**) have been examining the requirements in National Instrument 21-101 *Marketplace Operation* (**NI 21-101**) and in National Instrument 23-101 *Trading Rules* (**NI 23-101**) (together, **Marketplace Rules**) in respect of the reporting of material systems incidents by recognized exchanges (**Exchanges**) and alternative trading systems (**ATSs**) (together, **Marketplaces**) carrying on business in the jurisdictions of the Canadian Securities Administrators (**CSA**). We have also been reviewing the practices set out around those requirements in various recognition orders, rules and other sources of regulatory guidance. The purpose of our review was to update and, where appropriate, to align the regulatory requirements and processes for a marketplace's initial notification, follow-up notification(s), notification of resumption of service and post-mortem report of a material systems incident to the CSA and to the public.

This Notice contains the following annexes:

- **Annex A** – Marketplace Regulatory Incident Reporting Guidelines (including Schedule A – Reportable Incident Information)

Substance and Purpose

This Notice summarizes the key regulatory requirements with respect to the reporting of a material systems incident[1] by marketplaces. Annex A – *Marketplace Regulatory Incident Reporting Guidelines* (**Guidelines**) sets out CSA Staff's expectations with respect to incident reporting. The Notice also describes CSA Staff's process for reviewing a marketplace's notification of a material systems incident as well as our role in addressing a material systems incident.

Current Requirements and Expectations

Reporting of Material Systems Incidents

Paragraph 12.1(c) of NI 21-101 requires, in part, a marketplace to promptly notify securities regulators and, if applicable, its regulation services provider (**RSP**) of any material systems failure, malfunction or delay. With respect to what constitutes "material", subsection 14.1(4) of Companion Policy 21-101CP states that the CSA considers a failure, malfunction or delay to be "material" if the marketplace would in the normal course of operations escalate the matter to or inform its senior management ultimately accountable for technology. For the purpose of paragraph 12.1(c) of NI 21-101, the determination of the materiality of a systems failure, malfunction or delay is made by the marketplace.[2]

With respect to "promptly notify the regulator" under paragraph 12.1(c) of NI 21-101, our expectation is that a marketplace will notify the CSA of a material systems incident, orally or in writing, upon escalating the matter to its senior management.

Further, under subsection 6.3(1) of NI 23-101, if a marketplace experiences a failure, malfunction or material delay of its systems, equipment or its ability to disseminate marketplace data, the marketplace must immediately notify:

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1 In this notice, "material systems incident" refers to a material systems failure, malfunction, delay or security breach that affects a system, operated by or on behalf of the marketplace, that supports order entry, order routing, execution, trade reporting, trade comparison, data feeds, market surveillance and trade clearing as required under subsection 12.1 of NI-21-101 *System Requirements*.

2 In Ontario, the Automation Review Program (**ARP**) was established in 2002 to provide a framework for the regulatory oversight of systems capacity and reliability for certain market infrastructure entities, including recognized exchanges and clearing agencies carrying on business in Ontario. Among other things, the ARP provided for the immediate reporting of material system incidents and suggested that the determination of materiality should relate to the impact that the loss of service will have on marketplace participants generally. (Please refer to http://www.osc.gov.on.ca/en/19930.htm).

(a) all other marketplaces;

(b) all regulation services providers;

(c) its marketplace participants; and

(d) any information processor or, if there is no information processor, any information vendor that disseminates its data under Part 7 of NI 21-101.

Although a marketplace may broadcast general public announcements pursuant to subsection 6.3(1) of NI 23-101, generic public notification does not qualify as notification to the regulator under paragraph 12.1(c) of NI 21-101, even if CSA Staff subscribe to, and receive, a marketplace's public announcements. To comply with the notification requirement under paragraph 12.1(c) of NI 21-101, designated personnel of the marketplace must contact CSA Staff directly, orally or in writing, upon escalating the matter to its senior management.

In addition to initial notification, paragraph 12.1(c) of NI 21-101 also requires that for specified systems, a marketplace must "provide timely updates on the status of the failure, malfunction, delay or security breach, the resumption of service and the results of the marketplace's internal review of the failure, malfunction, delay or security breach."

As a result of the initiative to align requirements for all marketplaces, section 13 of the Guidelines clarifies CSA Staff's expectations with respect to the information that should be included in a marketplace's initial notification, follow-up notification(s), notification of resumption of service and post mortem report of a material system incident.

Periodic Reporting of Systems Outages

Form 21-101F3 requires, in part, the reporting of any outages that occurred at any time during the period for any system relating to trading activity, including trading, routing or data. For each outage, a marketplace is required to provide the date, duration and, reason for the outage and its resolution. The information reported by a marketplace in Form 21-101F3 summarizes all the outages that were required to be reported by the marketplace under paragraph 12.1(c) of NI 21-101 during the previous quarter.

Overview of CSA Staff's Role

Notification of material systems incidents provides CSA Staff with information about any material event related to a marketplace's production systems or networks. Steps taken in addressing a material systems incident include identifying CSA Staff that will be involved in responding, communicating with the CSA and, where appropriate, other regulators and developing recommendations for determining an appropriate course of action.[3]

The objective of the filing and review of a marketplace's notification of a material systems incident is to foster fair and efficient capital markets and confidence in those markets. Consequently, we expect an appropriate degree of transparency and timely notification of a material systems incident to the CSA, RSPs and the public. Timely notification is important so that the CSA, investors and market participants may be better informed as to how a material systems incident impacts the operations of an affected marketplace and the market as a whole, and thus take appropriate steps in the event of loss of service.

To facilitate the reporting of material systems incident by marketplaces, CSA Staff has developed the Guidelines at Annex A. The Guidelines are intended to summarize a marketplace's reporting obligations under the appropriate regulatory requirements and to provide transparency in respect of CSA Staff's expectations for the timing, method of delivery and content of a marketplace's notification of a material systems incident.

Questions

Please refer your questions to any of the following:

Christopher Byers Senior Legal Counsel, Market Regulation Ontario Securities Commission cbyers@osc.gov.on.ca	Alina Bazavan Senior Analyst, Market regulation Ontario Securities Commission abazavan@osc.gov.on.ca

[3] Please refer to CSA Staff Notice 11-338 *CSA Market Disruption Coordination Plan* at http://www.osc.gov.on.ca/en/SecuritiesLaw_csa_20181018_11-338_market-disruption-coordination-plan.htm.

Alex Petro Trading Specialist, Market Regulation Ontario Securities Commission apetro@osc.gov.on.ca	Serge Boisvert Analyste en réglementation Direction des bourses et des OAR Autorité des marchés financiers serge.boisvert@lautorite.qc.ca
Herman Tan Senior Analyst, Market Structures Autorité des marchés financiers Herman.Tan@lautorite.qc.ca	Sasha Cekerevac Senior Analyst, Market Structure Alberta Securities Commission sasha.cekerevac@asc.ca
Doug MacKay Manager, Market and SRO Oversight British Columbia Securities Commission dmackay@bcsc.bc.ca	

ANNEX A

Marketplace Regulatory Incident Reporting Guidelines

Application

1. The Marketplace Regulatory Incident Reporting Guidelines (**Guidelines**) apply to recognized exchanges (**Exchanges**) and alternative trading systems (**ATSs**) (together, **Marketplaces**) carrying on business in the jurisdictions of the Canadian Securities Administrators (**CSA**) and are intended to facilitate incident reporting by Marketplaces to the CSA.

Requirements

2. Incident reporting is part of a Marketplace's obligations under National Instrument 21-101 *Marketplace Operation* (**NI 21-101**). Each Marketplace is required to notify the appropriate securities regulatory authority when it experiences a material systems incident. Additionally, each Marketplace is required to inform the Investment Industry Regulatory Organization of Canada (**IIROC**) when it experiences a material systems incident.

3. The CSA requires information concerning material systems incidents involving a Marketplace in order to address the incident (as appropriate), to respond to inquiries from capital market participants, and to identify trends, all of which help the CSA manage systemic risk in the Canadian capital markets, and to otherwise assist in discharging its regulatory obligations.

4. The Guidelines are intended to summarize a Marketplace's reporting obligations under the regulatory requirements and to provide guidance to Marketplaces in respect of CSA Staff's expectations of how Marketplaces should comply with those requirements. The Guidelines are not intended to modify, amend, conflict with or override the regulatory requirements in any way or to create any new or different obligations on the part of a Marketplace.

Reportable Incidents

5. A Marketplace is required to report information about material events related to its production systems or networks. Specifically, paragraph 12.1(c) of NI-21-101 requires:

   "… for each system, operated by or on behalf of the marketplace, that supports order entry, order routing, execution, trade reporting, trade comparison, data feeds, market surveillance and trade clearing, a marketplace must promptly notify the regulator and, if applicable, its regulation services provider, of any material systems failure, malfunction, delay or security breach …"

6. With respect to security breaches, subsection 14.1(2.1) of Companion Policy 21-101 CP *Marketplace Operation* (**NI 21-101CP**) states that:

   "… a material security breach or systems intrusion is any unauthorized entry into any of the systems that support the functions listed in section 12.1 of the Instrument or any system that shares network resources with one or more of these systems. Virtually any security breach would be considered material and thus reportable to the regulator. The onus would be on the marketplace to document the reasons for any security breach it did not consider material."

7. With respect to what constitutes "material", subsection 14.1(4) of NI 21-101CP states that:

   "… the Canadian securities regulatory authorities consider a failure, malfunction or delay to be "material" if the marketplace would in the normal course of operations escalate the matter to or inform its senior management ultimately accountable for technology."

8. For the purpose of paragraph 12.1(c) of NI 21-101, the determination of the materiality of a systems failure, malfunction or delay is made by the Marketplace.[4]

9. For purposes of these Guidelines, reportable incidents do not include a Marketplace's regulatory reporting requirements which arise in the normal course of business or operations such as periodic reporting or filing obligations, prior notice or prior approval requirements, or notifications of changes or applications for regulatory approval or decision, or a Marketplace's reporting obligations to participants or other stakeholders.

[4] In Ontario, the Automation Review Program (**ARP**) was established in 2002 to provide a framework for the regulatory oversight of systems capacity and reliability for certain market infrastructure entities, including recognized exchanges and clearing agencies carrying on business in Ontario. Among other things, the ARP provided for the immediate reporting of material system incidents and suggested that the determination of materiality should relate to the impact that the loss of service will have on marketplace participants generally. Please refer to http://www.osc.gov.on.ca/en/19930.htm.

10. If Marketplace staff are uncertain of whether to report an incident, they should contact CSA Staff to discuss. If Marketplace staff report an event that does not require follow-up, CSA Staff will advise that no further reporting is necessary for the incident.

Reportable Incidents: Reporting Content and Lifecycle

11. Reportable incidents pursuant to paragraph 12.1(c) of NI-21-101 require "prompt" notification to the regulator and, if applicable, the marketplace's RSP. Our expectation is that a Marketplace will provide initial notification to the regulator and, if applicable, the marketplace's RSP of a material systems incident, orally or in writing, immediately upon escalating the matter to its senior management.

    Although a Marketplace may broadcast general public announcements pursuant to subsection 6.3(1) of National Instrument 23-101 *Trading Rules* (**NI 23-101**), generic public notification does not qualify as notification to the regulator under paragraph 12.1(c) of NI-21-101, even if CSA Staff subscribe to, and receive, a Marketplace's public announcements.

12. Notification should consist of an initial notification, one or more follow-up notification(s) to provide updates on the status of the failure, if appropriate, notification of the resumption of service and a post-mortem report.

    a. Initial Notification

    The initial notification should be provided orally or in writing and consist of:

    i. a brief description of the nature of the incident;

    ii. the date and time when the incident was identified;

    iii. system(s) impacted by the incident;

    iv. the manner in which it was identified;

    v. any initial mitigation actions and/or planned next steps;

    vi. brief description of how information is being communicated to Marketplace participants and other stakeholders;

    vii. if known, the anticipated duration of the incident and the potential impact to the Marketplace, its participants and/or the capital markets; and

    viii. any other information specified in Schedule A that is applicable and available at the time of the initial notification.

    b. Follow-up Notification(s)

    i. A Marketplace should provide timely updates respect to changes in:

        1. the system(s) impacted by the incident;

        2. the impact to the Marketplace, its participants and/or the capital markets, and;

        3. the anticipated duration of the incident.

    ii. If a Marketplace determines that, having followed its internal processes, it will not resume service for an extended period of time or, in any event, will not resume service by the end of the day on which the incident first occurred, the marketplace should notify the regulator and, if applicable, its regulation services provider prior to notifying marketplace participants of that determination.

    iii. A Marketplace should provide the regulator with a detailed incident report by email as soon as practicable. We expect a Marketplace to provide a detailed incident report no later than 5 business days following the discovery of the incident. The report should include all the information described in Schedule A that is applicable and known to the Marketplace at that time and not already provided to the regulator in the initial notification.

iv. If the underlying cause of the incident has not been identified and adequately remediated by the time the follow-up notification is provided, we expect the Marketplace to provide daily updates on progress until the incident has been fully resolved.

c. Notification of Resumption of Service

Immediate notification of resumption of service should be provided orally or in writing to the regulator and, if applicable, the marketplace's RSP, on resumption of normal service and should consist of:

i. the date and time of resumption of service;

ii. changes in services available; and

iii. a brief description of outstanding issues.

d. Post Mortem Report

A Marketplace should provide a detailed post mortem report. We expect a Marketplace to provide a detailed post mortem report no later than 15 business days after the incident has been fully resolved. This report should include any applicable information described in Schedule A that has not already been reported to regulators or any revision to such information.

Confidential Information

13. A Marketplace should communicate confidential matters to the CSA in accordance with a key staff contact list, which the Marketplace should maintain and update on a regular basis.

Schedule A

Reportable Incident Information

This Schedule A to the Guidelines provides additional information points that marketplaces should consider including in the various notifications and reports referred to in section 12 of the Guidelines, as applicable. In particular, marketplaces should consider including the following information, as applicable, in the initial notification under paragraph 12.a., the detailed incident report under subparagraph 12.b.ii., and the post-mortem report under paragraph 12.d.

1. When did the incident occur? Specify the relevant date(s) and the time interval over which the incident occurred.

2. Provide details of the incident.

3. What is the root cause of the incident, e.g. human error, process error, system (hardware, software) issue, external issue?

4. What is the impact of the incident on the Marketplace, its participants and other stakeholders?

   Provide information on:

   i. the nature of the disruption;

   ii. the duration of the delay or outage;

   iii. other core systems impacted;

   iv. actual or potential risk exposure;

   v. the financial impact; and

   vi. criteria used to determine whether the incident impacts the ability of the Marketplace to provide a “fair and orderly market”.

5. Information about any clearing issues or disruption of domestic or cross-border trade, if applicable.

6. When was the incident identified?

7. How was the incident identified?

8. Has the incident been rectified? If yes, explain how and when the incident was rectified. If no, detail the actions that are planned to rectify the incident, including the associated controls. Include detail on the expected timeframe to complete these actions. If not applicable, explain why.

9. Detail any further changes to the Marketplace’s systems, procedures or controls that have been made or are planned as a result of the identification of the incident.

10. Provide any additional information pertaining to this matter.

11. Where it becomes reasonably likely that a reportable incident will materialize, the report should include details of the potential incident, its probability of occurring, an estimate as to when the incident may occur, its estimated potential impact, and any mitigation or preventative actions taken or planned.

1.4 Notices from the Office of the Secretary

1.4.1 Anson Advisors Inc. and Ewing Morris & Co. Investment Partners Ltd.

FOR IMMEDIATE RELEASE
March 19, 2019

ANSON ADVISORS INC. and
EWING MORRIS & CO. INVESTMENT PARTNERS LTD.,
File Nos. 2019-5 and 2019-6

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

A copy of the Order dated March 19, 2019 is 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 Great-West Lifeco Inc.

Headnote

Multilateral Instrument 11-102 Passport System and National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Issuer bid – Modified Dutch auction – Application for relief from the requirement to take up and pay for shares on a pro rata basis and the related disclosure requirements for the issuer bid circular (section 2.26 of National Instrument 62-104 Take-Over Bids and Issuer Bids and item 8 of Form 62-104F2) – Application for relief from the requirement to take up all securities deposited under the issuer bid and not withdrawn if all the terms and conditions of the Offer have been complied with or waived unless the issuer first takes up all shares deposited under the Offer and not withdrawn (subsection 2.32(4) of National Instrument 62-104 Take-Over Bids and Issuer Bids) – Requested relief granted, subject to conditions.

Applicable Legislative Provisions

National Instrument 62-104 Take-Over Bids and Issuer Bids, ss. 2.26, 2.32(4), 6.1.
Form 62-104F2, item 8.

March 1, 2019

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

AND

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

AND

IN THE MATTER OF
GREAT-WEST LIFECO INC.
(the Filer)

DECISION

Background

The securities regulatory authority or regulator in each of the Jurisdictions (the "**Decision Makers**") has received an application from the Filer for a decision under the securities legislation of the Jurisdiction (the "**Legislation**") that, in connection with the proposed purchase by the Filer of a portion of its outstanding common shares (the "**Shares**") pursuant to an issuer bid (the "**Offer**"), the Filer be exempt, subject to the conditions set forth herein, from the following requirements in the Legislation (the "**Exemption Sought**"):

(a) the proportionate take up requirements in Section 2.26 of National Instrument 62-104 *Take-over Bids and Issuer Bids* ("**NI 62-104**") (collectively, the "**Proportionate Take Up Requirement**");

(b) the requirements in Item 8 of Form 62-104F2 to NI 62-104 to provide disclosure of the proportionate take up and payment in the issuer bid circular (the "**Circular**") (collectively, the "**Proportionate Take Up Disclosure Requirement**"); and

(c) the requirements in Section 2.32 of NI 62-104 that an issuer bid not be extended if all the terms and conditions of the issuer bid have been complied with or waived unless the Filer first takes up all securities deposited under the issuer bid and not withdrawn (collectively, the "**Extension Take Up Requirement**").

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

(a) the Manitoba Securities Commission (the "**MSC**") 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, Alberta, Saskatchewan, Québec, New Brunswick, Nova Scotia, Newfoundland and Labrador, Prince Edward Island, the Northwest Territories, Yukon and Nunavut; 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* and MI 11-102 have the same meaning if used in this decision, unless otherwise defined herein.

Representations

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

1. The Filer is a corporation governed by the *Canada Business Corporations Act*.

2. The head office and registered office of the Filer is located at 100 Osborne Street North, Winnipeg, Manitoba R3C 1V3.

3. The Filer is a reporting issuer in each of the provinces and territories of Canada and the Shares are listed for trading on the Toronto Stock Exchange (the "**TSX**") under the symbol "GWO". The Filer is not in default of any requirement of the securities legislation in the jurisdictions in which it is a reporting issuer.

4. The Filer's authorized share capital consists of an unlimited number of First Preferred Shares, issuable in series, an unlimited number of Class A Preferred Shares, an unlimited number of Second Preferred Shares and an unlimited number of Shares, of which 987,739,408 Common Shares, 7,740,032 Non-Cumulative First Preferred Shares, Series F, 12,000,000 Non-Cumulative First Preferred Shares, Series G, 12,000,000 Non-Cumulative First Preferred Shares, Series H, 12,000,000 Non-Cumulative First Preferred Shares, Series I, 6,800,000 Non-Cumulative First Preferred Shares, Series L, 6,000,000 Non-Cumulative First Preferred Shares, Series M, 8,524,422 Non-Cumulative 5-Year Rate Reset First Preferred Shares, Series N, 1,475,578 Non-Cumulative Floating Rate First Preferred Shares, Series O, 10,000,000 Non-Cumulative First Preferred Shares, Series P, 8,000,000 Non-Cumulative First Preferred Shares, Series Q, 8,000,000 Non-Cumulative First Preferred Shares, Series R, 8,000,000 Non-Cumulative First Preferred Shares, Series S, and 8,000,000 Non-Cumulative First Preferred Shares, Series T were issued and outstanding as of December 31, 2018.

5. On January 23, 2019, the closing price of the Shares on the TSX was C$29.32. On the basis of this closing price, on such date the Shares had an aggregate market value of approximately C$28.96 billion.

6. As at December 31, 2018, Power Financial Corporation ("**PFC**") directly and indirectly owned 669,568,064 Shares,[1] which in the aggregate represented approximately 67.8% of the issued and outstanding Shares and IGM Financial Inc. ("**IGM**") indirectly owned 39,737,388 Shares, which in the aggregate represented approximately 4% of the issued and outstanding Shares. IGM is a public company, a majority of the common shares of which are owned, directly or indirectly, by PFC.

7. The Filer intends to make the Offer pursuant to which it would offer to purchase that number of Shares having an aggregate maximum purchase price to be specified in the Circular (the "**Specified Maximum Dollar Amount**").

8. Prior to making the Offer, the board of directors of the Filer will have determined that the making of the Offer is in the best interests of the Filer.

9. The purchase price per Share will be determined by the Filer through a modified "Dutch auction" procedure in the manner described below within a range (the "**Price Range**") to be determined by the Filer.

[1] Includes 537,978,310 Shares owned directly by PFC and the following Shares owned by subsidiaries of PFC: 3411893 Canada Inc. owns 28,687,568 Shares, 3439453 Canada Inc. owns 73,237,584 Shares, 4400003 Canada Inc. owns 29,664,602 Shares.

10. The Specified Maximum Dollar Amount and the Price Range will each be determined prior to commencement of the Offer and specified in the Circular.

11. The Filer expects to fund the purchase of Shares pursuant to the Offer, together with the fees and expenses of the Offer, using available cash on hand in the Filer and its operating subsidiaries. The Offer will not be conditional upon the receipt of financing.

12. A holder of Shares (a "**Shareholder**", and collectively, the "**Shareholders**") wishing to tender to the Offer will be able to do so in one of three ways:

    (a) auction tenders in which the tendering Shareholders specify the number of Shares being tendered at a price per Share (the "**Auction Price**") within the Price Range (the "**Auction Tenders**");

    (b) purchase price tenders in which the tendering Shareholders do not specify a price per Share, but rather agree to have a specified number of Shares purchased at the Purchase Price (as defined below) to be determined by the Auction Tenders (the "**Purchase Price Tenders**"); and

    (c) proportionate tenders in which the tendering Shareholders agree to sell to the Issuer, at the Purchase Price to be determined by the Auction Tenders, a number of Shares that will result in them maintaining their proportionate equity ownership in the Issuer following completion of the Offer (the "**Proportionate Tenders**").

13. Shareholders may deposit some of their Shares pursuant to an Auction Tender and deposit different Shares pursuant to a Purchase Price Tender. Shareholders who make an Auction Tender and/or a Purchase Price Tender cannot make a Proportionate Tender. Shareholders may not deposit the same Shares pursuant to more than one method of tender or pursuant to an Auction Tender at more than one price. Shareholders who make a Proportionate Tender may not make an Auction Tender or a Purchase Price Tender.

14. In the necessary course of its business, the Filer has discussed the Offer with PFC but has not discussed the Offer with IGM. PFC has advised the Filer that PFC and its wholly-owned subsidiaries currently intend to participate in the Offer.

15. Any Shareholder who owns fewer than 100 Shares and tenders all of such Shareholder's Shares pursuant to an Auction Tender at or below the Purchase Price or pursuant to a Purchase Price Tender will be considered to have made an "**Odd Lot Tender**".

16. The Filer will determine the purchase price payable per Share (the "**Purchase Price**") based on the Auction Prices and the number of Shares specified in valid Auction Tenders and Purchase Price Tenders (considered for purposes of determining the Purchase Price to have been tendered at the minimum price per Share offered). The Purchase Price will be the lowest price that enables the Filer to purchase that number of Shares tendered pursuant to valid Auction Tenders and Purchase Price Tenders having an aggregate purchase price not to exceed an amount (the "**Auction Tender Limit Amount**") equal to (i) the Specified Maximum Dollar Amount less (ii) the product of (A) the Specified Maximum Dollar Amount and (B) a fraction, the numerator of which is the aggregate number of Shares owned by Shareholders making valid Proportionate Tenders, and the denominator of which is the aggregate number of Shares outstanding at the time of expiry of the Offer.

17. If the aggregate purchase price for Shares validly tendered pursuant to Auction Tenders at Auction Prices (at or below the Purchase Price) and Purchase Price Tenders is less than or equal to the Auction Tender Limit Amount, the Filer will purchase at the Purchase Price all Shares so deposited pursuant to Auction Tenders at or below the Purchase Price and Purchase Price Tenders.

18. If the aggregate purchase price for Shares validly tendered pursuant to Auction Tenders at Auction Prices (at or below the Purchase Price) and Purchase Price Tenders is greater than the Auction Tender Limit Amount, the Filer will purchase a portion of such Shares determined as follows: (i) the Filer will purchase all such Shares tendered by Shareholders pursuant to Odd Lot Tenders; and (ii) the Filer will purchase on a pro-rata basis that portion of such Shares having an aggregate purchase price, based on the Purchase Price, equal to (A) the Auction Tender Limit Amount, less (B) the aggregate amount paid by the Filer for Shares tendered pursuant to Odd Lot Tenders, in each of the cases set forth in clauses (i) and (ii) of this paragraph, at the Purchase Price.

19. The Filer will purchase at the Purchase Price that portion of the Shares owned by Shareholders making valid Proportionate Tenders that results in tendering Shareholders maintaining their proportionate equity ownership in the Filer following completion of the Offer (the "**Proportionate Take Up**").

20. The number of Shares that the Filer will purchase pursuant to the Offer and the aggregate purchase price will vary depending on whether the aggregate purchase price payable in respect of Shares required to be purchased pursuant to Auction Tenders (at or below the Purchase Price) and Purchase Price Tenders (the "**Aggregate Tender Purchase Amount**") is equal to or less than the Auction Tender Limit Amount. If the Aggregate Tender Purchase Amount is equal to the Auction Tender Limit Amount, the Filer will purchase Shares pursuant to the Offer for an aggregate purchase price equal to the Specified Maximum Dollar Amount; if the Aggregate Tender Purchase Amount is less than the Auction Tender Limit Amount, the Filer will purchase proportionately fewer Shares in the aggregate, with a proportionately lower aggregate purchase price.

21. Shareholders will also have the option to structure their tender of Shares pursuant to the Offer (whether such tender is an Auction Tender, a Purchase Price Tender or a Proportionate Tender) as a "**Qualifying Holdco Alternative**" by electing to complete certain corporate reorganization steps with the Filer and then tendering Shares subject to such reorganization (rather than tendering directly to the Filer). Any Shares tendered using the Qualifying Holdco Alternative will also be purchased at the Purchase Price. The Qualifying Holdco Alternative is analogous to the "holdco alternative" commonly made available in other take-over bids and issuer bids.

22. All Shares purchased by the Filer pursuant to the Offer (including Shares tendered at Auction Prices at or below the Purchase Price) will be purchased at the Purchase Price. Shareholders will receive the Purchase Price in cash. All Auction Tenders, Purchase Price Tenders and Proportionate Tenders will be subject to adjustment to avoid the purchase of fractional Shares. All payments to Shareholders will be subject to deduction of applicable withholding taxes.

23. All Shares tendered to the Offer and not taken up will be returned to the appropriate Shareholders.

24. Until expiry of the Offer, all information about the number of Shares tendered and the prices at which the Shares are tendered will be required to be kept confidential by the depositary and the Filer until the Purchase Price has been determined. In particular, PFC and IGM and their employees and directors (some of whom have roles at the Filer) will not have access to this information.

25. Shareholders who do not accept the Offer will continue to hold the number of Shares owned before the Offer and their proportionate Share ownership will increase following completion of the Offer to the extent the Filer purchases Shares under the Offer.

26. The Filer may elect to extend the bid without first taking up all the Shares deposited and not withdrawn under the Offer if the aggregate purchase price for Shares validly tendered pursuant to Auction Tenders and Purchase Price Tenders is less than the Auction Tender Limit Amount. Under the Extension Take Up Requirement contained in Section 2.32 of NI 62-104, an issuer may not extend an issuer bid if all the terms and conditions of the issuer bid have been complied with or waived unless the issuer first takes up all the securities deposited and not withdrawn under the issuer bid.

27. The Filer intends to rely on the exemption from the formal valuation requirements applicable to issuer bids under Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**") set out in subsection 3.4(b) of MI 61-101 (the "**Liquid Market Exemption**").

28. There will be a "liquid market" for the Shares, as such term is defined in MI 61-101, as of the date of the making of the Offer because the test in section 1.2(1)(a) of MI 61-101 will be satisfied. In addition, an opinion will be voluntarily sought by the Filer confirming that a liquid market exists for the Shares as of the date of the making of the Offer and such opinion will be included in the Circular (the "**Liquidity Opinion**").

29. Based on the maximum number of Shares that may be purchased under the Offer, the Liquidity Opinion will also provide that as of the date of the Offer it will be reasonable for the Filer's board of directors to conclude that, following the completion of the Offer in accordance with its terms, there will be a market for holders of the Shares who do not tender to the Offer that is not materially less "liquid", as such term is defined in MI 61-101, than the market that existed at the time of the making of the Offer.

30. The Filer will disclose in the Circular relating to the Offer the following information:

    (a) the mechanics for the take up of and payment for Shares as described herein;

    (b) the mechanics for structuring a tender of Shares to the Offer as a Qualifying Holdco Alternative;

    (c) that, by tendering Shares at the lowest price in the Price Range under an Auction Tender or by tendering Shares under a Purchase Price Tender or a Proportionate Tender, a Shareholder can reasonably expect that the Shares so tendered will be purchased at the Purchase Price, subject to proration and other terms of the Offer as specified herein;

(d) that the Filer has obtained an exemption from the Proportionate Take Up Requirement, the Proportionate Take Up Disclosure Requirement and the Extension Take Up Requirement;

(e) the manner in which an extension of the Offer will be communicated to Shareholders;

(f) that Shares deposited pursuant to the Offer may be withdrawn at any time prior to the expiry of the Offer;

(g) as applicable, the name of each Shareholder that has advised the Filer prior to the commencement of the Offer that it intends to make a Proportionate Tender or intends to elect to use the Qualifying Holdco Alternative;

(h) the facts supporting the Filer's reliance on the Liquid Market Exemption and the Liquidity Opinion; and

(i) except to the extent exemptive relief is granted further to this application, the disclosure prescribed by applicable securities laws for issuer bids.

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:

(a) The Filer takes up and pays for Shares deposited pursuant to the Offer and not withdrawn, in each case in the manner described above; and

(b) the Filer is eligible to rely on the Liquid Market Exemption.

"Chris Besko"
Director
The Manitoba Securities Commission

2.1.2 Industrial Alliance Investment Management Inc. and IA Investment Counsel Inc.

Headnote

Multilateral Instrument 11-102 Passport System and National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions. Under paragraph 4.1(1)(b) of National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations a registered firm must not permit an individual to act as a dealing, advising or associate advising representative of the registered firm if the individual is registered as a dealing, advising or associate advising representative of another registered firm. The Filers are affiliated entities and have valid business reasons for the individuals to be registered with both firms. The individuals will have sufficient time to adequately serve both firms. The Filers have policies in place to handle potential conflicts of interest. The Filers are exempted from the prohibition.

Applicable Legislative Provisions

Multilateral Instrument 11-102 Passport System, s. 4.7.
National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations, ss. 4.1, 15.1.

March 5, 2019

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
QUEBEC AND ONTARIO
(THE JURISDICTIONS)

AND

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

AND

IN THE MATTER OF
INDUSTRIAL ALLIANCE INVESTMENT MANAGEMENT INC.
(IAIM)

AND

IA INVESTMENT COUNSEL INC.
(IAIC)
(IAIM and IAIC, collectively, the Filers)

DECISION

Background

The securities regulatory authority or regulator in each of the Jurisdictions (the **Decision Maker**) has received an application from IAIM and IAIC for a decision under the securities legislation of the Jurisdictions (the **Legislation**) for relief from the requirement in paragraph 4.1(1)(b) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**NI 31-103**), pursuant to section 15.1 of NI 31-103, to permit Gilbert Lamothe, an advising representative of IAIM, to also be registered as an advising representative of IAIC (the **Relief Sought**).

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

(a) The Autorité des Marchés Financiers (**AMF**) is the principal regulator for this application;

(b) The Filers are providing notice that section 4.7(1) of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) is intended to be relied upon in Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Prince Edward Island, Saskatchewan and Yukon; 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* 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:

1. IAIC is registered as: (i) a portfolio manager in Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island, Québec and Saskatchewan; (ii) an investment fund manager in Newfoundland and Labrador, Ontario and Québec; and (iii) an exempt market dealer in Ontario. Its head office is located in Ontario.

2. The principal regulator of IAIC is the Ontario Securities Commission.

3. IAIM is registered as: (i) a portfolio manager in Alberta, British Columbia, Manitoba, New Brunswick, Nova Scotia, Ontario, Québec and Saskatchewan; (ii) a commodity trading Counsel in Ontario; (iii) a commodity trading manager in Ontario; and (iv) a derivative portfolio manager in Québec. Its head office is located in Québec.

4. The principal regulator of IAIM is the AMF.

5. The Filers are not in default of any requirement of securities legislation in any jurisdiction where they are operating.

6. IAIC and IAIM are wholly-owned subsidiaries of the same ultimate parent, Industrial Alliance Insurance and Financial Services Inc. (**IAIFS**), a publicly-listed corporation on the Toronto Stock Exchange. Since each of IAIC and IAIM is under IAIFS' common control, each is an affiliate of the other.

7. IAIC acts primarily as a portfolio manager providing services to individuals and institutions. It also acts as the portfolio manager of investment funds managed by IAIC.

8. IAIM acts primarily as portfolio manager to the assets of IAIFS and all of its subsidiaries, and as a portfolio manager to several investment funds managed by IA Clarington Investments Inc. (**IACI**), a subsidiary of IAIFS.

9. Gilbert Lamothe is currently an advising representative of IAIM and acts as portfolio manager to several investment funds managed by IACI and segregated funds managed by IAIFS. Gilbert Lamothe is not in default of any requirement of securities legislation in any jurisdiction where he is operating.

10. The Filers now wish that Gilbert Lamothe be dually registered as both an advising representative of IAIM and an advising representative of IAIC (**Dual Registration**).

11. As an advising representative of IAIC, Gilbert Lamothe will be responsible for the management of certain investment funds offered by IAIC and to advise a small portion of its individual clients.

12. The aim of this Dual Registration is principally to allow IAIC to benefit from Gilbert Lamothe's expertise in investment management and allow IAIC's high net worth clients to benefit from Gilbert Lamothe's expertise and investment advice.

13. This Dual Registration will help to optimize the Filers' resources and will increase their operational efficiency.

14. The risk of conflict of interest incurred by the Dual Registration is minimal as the investment mandates for IAIM and IAIC portfolios differ and they both strongly favor highly liquid securities. As such, the nature of the investments, which are highly liquid, makes the possibility of any potential conflict of interest very remote.

15. Furthermore, as IAIC and IAIM are affiliated corporations, the Dual Registration will not give rise to the conflicts of interest present in a similar arrangement involving unrelated firms. The interest of IAIC and IAIM are aligned and therefore the potential for conflicts of interest is remote.

16. The Filers are both subject to the requirements regarding conflicts of interest set out in the NI 31-103 which will be respected at all times.

17. The Filers have in place policies and procedures to address any conflicts of interest that may arise as a result of the Dual Registration.

18. The Filers also have compliance and supervisory policies and procedures in place to monitor the conduct of their representatives and to ensure that they can deal appropriately with any conflict of interest that may arise.

19. Furthermore, the Filers have put in place a procedure on how the Dual Registration will be managed between them.

20. The Dual Registration of Gilbert Lamothe will be disclosed to the Filers' clients as set forth below, all in accordance with the requirements regarding conflicts of interest set out in the NI 31-103:

    - IAIM will send a letter to all Gilbert Lamothe's existing clients to inform them about the Dual Registration. This letter will be sent once Gilbert Lamothe's registration with IAIC is approved and to new clients within the initial documentation provided to them.

    - IAIC will disclose in writing the Dual Registration to all clients for whom Gilbert Lamothe will act as an advising representative. The disclosure will be done within the initial documentation provided to the client.

21. The Filers will ensure that Gilbert Lamothe has sufficient time and resources to adequately meet his obligations and tasks towards each Filer. IAIM will reduce Gilbert Lamothe's current workload and responsibilities, so that Gilbert Lamothe will be able to spend his time equally between both Filers.

22. Each of the Filers will supervise the activities that Gilbert Lamothe will conduct on their behalf.

23. In the absence of the Exemption Sought, Gilbert Lamothe would be prohibited under paragraph 4.1(1)(b) of NI 31-103 from acting as an advising representative of IAIC while also acting as an advising representative of IAIM.

Decision

Each of the Decision Makers is satisfied that the decision meets the test set out in the Legislation for the Decision Makers to make the decision. The decision of the Decision Makers under the Legislation is that the Relief Sought is granted on the following conditions:

a. Gilbert Lamothe is subject to supervision by, and the applicable compliance requirements of, both Filers;

b. The Chief Compliance Officer and Ultimate Designated Person of each Filer ensures that Gilbert Lamothe has sufficient time and resources to adequately serve each Filer and its respective clients;

c. The Filers each have adequate policies and procedures in place to address any potential conflicts of interest that may arise as a result of the Dual Registration, and deal appropriately with any such conflicts; and

d. The relationship between the Filers, and the fact that Gilbert Lamothe is dually registered with both Filers, is fully disclosed in writing to clients of both Filers.

"Frédéric Pérodeau"
Superintendent,
Client Services and Distribution Oversight

2.1.3 Integrity Gaming ULC

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).

March 7, 2019

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
INTEGRITY GAMING ULC
(the Filer)

ORDER

Background

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

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

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

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

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

Interpretation

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

Representations

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

1. the Filer is 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.

Decision

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

2.1.4 TD Asset Management Inc.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Relief from conflict of interest/self-dealing provisions in 111 of the Securities Act and section 13.5 of NI 31-103 to facilitate fund of fund investment amongst related pooled funds – relief subject to certain conditions.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, ss. 111(2)(b) and (c), 111(4), 113.
National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations, ss. 13.5(2)(a), 15.1.

February 26, 2019

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
TD ASSET MANAGEMENT INC.
(TDAM)

AND

IN THE MATTER OF
THE TOP FUNDS (AS DEFINED BELOW)

DECISION

Background

The principal regulator in the Jurisdiction has received an application from TDAM on its behalf and on behalf of TD Greystone Real Asset Pooled Fund Trust and TD Greystone Mortgage and Short Bond Pooled Fund Trust (the **Initial Top Funds**) and any future mutual fund which is not a reporting issuer under the legislation of the principal regulator and that is managed by TDAM or one of its affiliates (the **Future Top Funds**, and together with the Initial Top Funds, collectively, the **Top Funds** and each a **Top** Fund), which will invest in Greystone Mortgage Fund (the **Mortgage Fund**), Greystone Real Estate LP Fund (the **Real Estate Fund**) and/or Greystone Infrastructure Fund (Canada) L.P. II (the **Infrastructure Fund** and together with the Mortgage Fund and the Real Estate Fund, collectively, the **Underlying Funds** and individually, an **Underlying Fund**), for a decision under the securities legislation of the Jurisdiction (the **Legislation**):

1. exempting the Top Funds from the restriction in the Legislation (the **Related Issuer Restriction**) which prohibits:

   (a) an investment fund from knowingly making an investment in a person or company in which the investment fund, alone or together with one or more related investment funds, is a substantial security holder; and

   (b) an investment fund from knowingly making an investment in an issuer in which:

      (i) any officer or director of the investment fund, its management company or distribution company or an associate of any of them, or

      (ii) any person or company who is a substantial security holder of the investment fund, its management company or its distribution company,

has a significant interest; and

(c) an investment fund, its management company or its distribution company from knowingly holding an investment described in paragraph (a) or (b) above (collectively, the **Related Issuer Relief**); and

2. exempting TDAM and its affiliates, with respect to the Top Funds, from the provision in paragraph 13.5(2)(a) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**NI 31-103**) (the **Consent Requirement**) which prohibits a registered adviser from knowingly causing an investment portfolio managed by it, including an investment fund for which it acts as adviser, to invest in securities of any issuer in which a responsible person or an associate of a responsible person is a partner, officer or director, unless the fact is disclosed to the client and the written consent of the client to the investment is obtained before the purchase (the **Consent Requirement Relief** and, together with the Related Issuer Relief, the **Requested 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) TDAM has provided notice under section 4.7(1) of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) that

(i) the Related Issuer Relief is to be relied upon by TDAM in Alberta, and

(ii) the Consent Requirement Relief is to be relied upon in British Columbia, Alberta, Saskatchewan, Manitoba, Québec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, Yukon, Northwest Territories and Nunavut (together with the Jurisdiction, 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 TDAM:

TDAM and Greystone

1. TDAM is a corporation amalgamated under the Business Corporations Act (Ontario).

2. TDAM is a wholly-owned subsidiary of The Toronto-Dominion Bank (**TD Bank**), a Schedule 1 Canadian chartered bank. The head office of TDAM is located in Toronto, Ontario.

3. Greystone Managed Investments Inc. (**Greystone**) is a wholly-owned indirect subsidiary of TD Bank and, accordingly, Greystone is an affiliate of TDAM.

4. TDAM is registered in each of the jurisdictions of Canada as an adviser in the category of portfolio manager (**PM**) and as a dealer in the category of exempt market dealer. TDAM is also registered in Ontario, Québec and Newfoundland and Labrador in the category of investment fund manager (**IFM**). TDAM is also registered in Ontario in the category of commodity trading manager.

5. TDAM will be the IFM and PM of the Top Funds.

6. Greystone is the PM for the Underlying Funds. Greystone or an affiliate of Greystone may also act as a distributor of the securities of the Underlying Funds not otherwise sold through another registered dealer.

7. An officer and/or director of TDAM or an affiliate of TDAM may have a “significant interest” (as such term is defined in the Legislation) in an Underlying Fund from time to time. A person or company who is a substantial security holder of a Top Fund, TDAM, or an affiliate of TDAM may also have a significant interest in an Underlying Fund from time to time.

8. TDAM or its affiliates are, or will be, “responsible persons” of the Top Funds and the Underlying Funds, as that term is defined in NI 31-103.

9. Neither TDAM nor Greystone is in default of securities legislation in any of the Jurisdictions.

The Top Funds

10. Each of the Top Funds will be a mutual fund established under the laws of the Province of Ontario and will be an investment trust established by TDAM. The Top Funds will be investment funds for the purposes of the Legislation.

11. The Canada Trust Company will be the trustee of each Top Fund unless the trustee is changed in accordance with the terms of any trust agreement relating to the Top Funds.

12. The investment objective of TD Greystone Mortgage and Short Bond Pooled Fund Trust will be to seek to provide income and preserve capital over the long-term by primarily investing in, or gaining exposure to, a diversified portfolio of Canadian commercial real estate mortgages and fixed income investments.

13. The investment objective of TD Greystone Real Asset Pooled Fund Trust will be to seek to provide income and capital growth over the long-term by primarily investing in, or gaining exposure to, a diversified portfolio of Canadian and global real estate and infrastructure investments as well as publicly traded securities.

14. The Top Funds will not be reporting issuers in any of the Jurisdictions. The securities of the Top Funds will be sold solely to accredited investors pursuant to exemptions from the prospectus requirements in accordance with National Instrument 45-106 *Prospectus Exemptions* (**NI 45-106**).

15. Each Top Fund will be permitted to invest in the Underlying Funds in order to achieve its investment objectives and strategies.

The Mortgage Fund

16. The Mortgage Fund is an investment trust established under the laws of Ontario. The Mortgage Fund is a "mutual fund" as defined in the Legislation. The Mortgage Fund is administered by Greystone, as manager, its assets are managed by a portfolio manager and the trustee of the Mortgage Fund calculates a net asset value (**NAV**) that is used for purposes of determining the purchase and redemption price of the units of the Mortgage Fund.

17. The investment objective of the Mortgage Fund is to provide a vehicle to invest in Canadian commercial real estate mortgages and to achieve superior long-term total returns while maintaining long-term stability of capital. Under its investment strategy, the Mortgage Fund invests in a diversified portfolio of Canadian commercial real estate mortgages and other permissible investments, including first and subsequent priority mortgages, equity investments in Canadian real estate in very limited circumstances, closed or open ended pooled mortgage funds, and securities or bonds where the asset underlying the securities or bonds is a mortgage or other debt security secured by a real property mortgage or charge.

18. The Mortgage Fund is not a reporting issuer in any of the Jurisdictions. Units of the Mortgage Fund are sold solely to accredited investors pursuant to exemptions from the prospectus requirements in accordance with NI 45-106. Each such investor is responsible for making its own investment decisions regarding its purchases and/or redemptions of units of the Mortgage Fund.

19. The Mortgage Fund is not in default of the securities legislation of any of the Jurisdictions.

The Real Estate Fund

20. The Real Estate Fund is an investment product established as a limited partnership under the laws of Ontario. The General Partner of the Real Estate Fund is GMI Real Estate Inc., which is an affiliate of Greystone and TDAM.

21. The Real Estate Fund is not considered to be an investment fund. Nevertheless, the Real Estate Fund is operated in a manner similar to how Greystone operates its investment funds. The Real Estate Fund is administered by Greystone, as manager, its assets are managed by a portfolio manager and the custodian of the Real Estate Fund calculates a NAV that is used for purposes of determining the purchase and redemption price of its units.

22. The investment objective of the Real Estate Fund is to seek superior long-term total returns by investing in a diversified Canadian real estate portfolio. Under its investment strategy, the Real Estate Fund may invest in equity interests in, and mortgages of, Canadian real estate, securities or bonds where the underlying asset is a mortgage or real estate equity, cash and short-term investments.

23. The Real Estate Fund is not a reporting issuer in any of the Jurisdictions. Units of the Real Estate Fund are sold solely to accredited investors pursuant to exemptions from the prospectus requirements in accordance with NI 45-106. Each

such investor is responsible for making its own investment decisions regarding its purchases and/or redemptions of units of the Real Estate Fund.

24. The Real Estate Fund is not in default of the securities legislation of any of the Jurisdictions.

The Infrastructure Fund

25. The Infrastructure Fund is an investment product established as a limited partnership under the laws of Ontario. The General Partner of the Infrastructure Fund is Greystone Infrastructure Fund (Canada) Inc., which is an affiliate of Greystone and TDAM.

26. The investment objective of the Infrastructure Fund is to provide sustainable long term returns from infrastructure assets by investing in units of Greystone Infrastructure Fund (Global Master) L.P. (the **Master Infrastructure Fund**), a limited partnership formed under the laws of the Cayman Islands. The investment objective of the Master Infrastructure Fund is to invest in and to earn income directly or indirectly from infrastructure assets, specifically:

(a) transportation, including roads, rail, ports and airports;

(b) contracted generation;

(c) power transmission and distribution;

(d) renewable energy, including wind, hydro, solar and waste-to-energy;

(e) pipelines, including oil, gas and refined products;

(f) utilities, including water, wastewater and energy;

(g) telecommunications;

(h) social infrastructure, including hospitals, prisons and schools;

(i) rolling stock and parking; and

(j) other assets that are expected to generate predictable cash flows over the long-term and exhibit sustainable competitive advantages.

[Editor's Note: Paragraphs 27 to 31 were blank in original.]

32. The Infrastructure Fund and the Master Infrastructure Fund have substantially similar investment objectives, in that they both seek sustainable long term returns from infrastructure assets.

33. The Infrastructure Fund and the Master Infrastructure Fund are not considered to be investment funds. Nevertheless, the Infrastructure Fund and the Master Infrastructure Fund are operated in a manner similar to how Greystone operates its investment funds. The Infrastructure Fund and the Master Infrastructure Fund are administered by Greystone, as manager, their assets are managed by a portfolio manager and the custodian of the Infrastructure Fund and the Master Infrastructure Fund calculates a NAV that is used for purposes of determining the purchase and redemption price of the units of the Infrastructure Fund and the Master Infrastructure Fund, as the case may be.

34. The Infrastructure Fund is not a reporting issuer in any jurisdiction of Canada. Units of the Infrastructure Fund are, or will be, sold solely to investment funds managed by Greystone and to the Top Funds, in each case pursuant to an exemption from the prospectus requirements in accordance with NI 45-106. Other investors who wish to obtain exposure to the assets of the Master Infrastructure Fund purchase units of another Canadian infrastructure limited partnership managed by Greystone that has an investment mandate similar to the investment mandate of the Master Infrastructure Fund pursuant to exemptions from the prospectus requirements in accordance with NI 45-106.

35. The Infrastructure Fund is not in default of the securities legislation of any of the Jurisdictions.

Fund-on-Underlying Funds Structure

36. An investment by a Top Fund in one or more of the Underlying Funds will be compatible with the investment objectives of the Top Fund and will allow the Top Fund to obtain exposure to securities in which the Top Fund may otherwise invest directly (the **Fund-on-Underlying Funds Structure**). TDAM believes that the Fund-on-Underlying Funds Structure will provide each Top Fund with an efficient and cost-effective manner of pursuing portfolio diversification instead of purchasing securities directly. The Fund-on-Underlying Funds Structure will also provide each Top Fund with access to the investment expertise of the portfolio advisers of one or more Underlying Funds.

37. Investments by a Top Fund in one or more of the Underlying Funds will be effected at an objective price. According to TDAM's policies and procedures, an objective price, for this purpose, shall be the NAV of each Underlying Fund.

Top Funds Liquidity

38. TD Greystone Real Asset Pooled Fund Trust will be valued and redeemable quarterly.

39. TD Greystone Mortgage and Short Bond Pooled Fund Trust will be valued daily and redeemable monthly.

40. At least 50% of the assets held by each Top Fund will be redeemable at least as frequently as units of the Top Fund are redeemable; the balance of the assets may have more limited liquidity.

Mortgage Fund Liquidity

41. The investments of the Mortgage Fund, which consist primarily of commercial mortgages, are primarily illiquid.

42. The Mortgage Fund is priced daily and valued and redeemable monthly.

43. The value of the portfolio assets of the Mortgage Fund is independently determined by a party that is arm's length to TDAM, Greystone or an affiliate of Greystone, the Mortgage Fund, the Real Estate Fund, the Infrastructure Fund and all other investment funds or vehicles managed by Greystone or TDAM (**MF Independent Valuator**) on at least a monthly basis. The Mortgage Fund's auditor will not act as an MF Independent Valuator. The Mortgage Fund's NAV is based on the valuation of the portfolio assets determined by the MF Independent Valuator. The valuation process is audited annually by an independent accounting firm.

44. A Top Fund will not invest in units of the Mortgage Fund unless, at the time of purchase, at least 20% of the units of the Mortgage Fund are held by unitholders that are not affiliated or associated with TDAM or Greystone.

45. No Top Fund will actively participate in the business or operations of the Mortgage Fund.

Real Estate Fund Liquidity

46. The investments of the Real Estate Fund, which consist primarily of interests in real estate, are primarily illiquid.

47. The Real Estate Fund is valued and redeemable monthly, although "significant" redemptions (a redemption request that is for greater than $1,000,000 and 10% of the Real Estate Fund's liquidity available for investment) may only be made on a quarterly basis.

48. The value of the portfolio assets of the Real Estate Fund is independently determined by one or more accounting firms and/or appraisal firms accredited through the Appraisal Institute of Canada that is arm's length to TDAM, Greystone or an affiliate of Greystone, the Mortgage Fund, the Real Estate Fund, the Infrastructure Fund and all other investment funds or vehicles managed by Greystone or TDAM (**RE Independent Appraiser**) on a quarterly basis, which quarterly valuation may be refreshed by the RE Independent Appraiser if Greystone determines that a significant valuation event has occurred. The Real Estate Fund's auditor will not act as a RE Independent Appraiser. The Real Estate Fund's NAV is based on the valuation of the portfolio assets determined by the RE Independent Appraiser(s).

49. To the extent feasible and practicable, each RE Independent Appraiser will be rotated on three-year intervals.

50. A Top Fund will not invest in units of the Real Estate Fund unless, at the time of purchase, at least 20% of the units of the Real Estate Fund are held by unitholders that are not affiliated or associated with TDAM or Greystone.

51. No Top Fund will actively participate in the business or operations of the Real Estate Fund.

Infrastructure Fund Liquidity

52. The investments of the Infrastructure Fund consist primarily of units of the Master Infrastructure Fund. The investments of the Master Infrastructure Fund, which consist primarily of infrastructure assets, are primarily illiquid, and the units of both the Infrastructure Fund and the Master Infrastructure Fund have limited liquidity.

53. The Infrastructure Fund is valued and redeemable semi-annually.

54. The Master Infrastructure Fund is valued and redeemable semi-annually.

55. The value of the portfolio assets of the Master Infrastructure Fund is independently determined by one or more internationally recognized accounting firms and/or appraisal firms that is arm's length to TDAM, Greystone or an affiliate of Greystone, the Mortgage Fund, the Real Estate Fund, the Infrastructure Fund, the Master Infrastructure Fund and all other investment funds or vehicles managed by Greystone or TDAM (**IF Independent Appraiser**) who independently values such portfolio assets on a semi-annual basis. A semi-annual valuation of one or more of such assets may be refreshed by an IF Independent Appraiser during an interim period if the portfolio adviser of the Master Infrastructure Fund determines that a significant valuation event has occurred. It is anticipated that the valuation frequency will increase to quarterly by the end of 2019. Neither the Infrastructure Fund's auditor nor the Master Infrastructure Fund's auditor will act as an IF Independent Appraiser. The Infrastructure Fund invests in the Master Infrastructure Fund at the NAV of the Master Infrastructure Fund, which is based on the valuation prepared by the IF Independent Appraiser.

56. To the extent feasible and practicable, each of the IF Independent Appraiser will be rotated on three-year intervals.

57. A Top Fund will not invest in the Infrastructure Fund unless the PM of the Top Fund believes that the liquidity of the Top Fund's portfolio is adequately managed through other strategies. As part of such strategies, a Top Fund will not invest more than 50% of its NAV, at the time of purchase, in units of the Infrastructure Fund.

58. In addition, a Top Fund will not invest in the Infrastructure Fund unless, at the time of purchase, at least 20% of the units of the Master Infrastructure Fund are directly or indirectly held by unitholders that are not affiliated or associated with TDAM or Greystone (not including any holdings made through the Top Fund).

59. No Top Fund will actively participate in the business or operations of the Infrastructure Fund.

Generally

60. The amount invested from time to time in an Underlying Fund by a Top Fund, either alone or together with one or more other Top Funds, may exceed 20% of the outstanding voting securities of such Underlying Fund. As a result, a Top Fund could, either alone or together with one or more other Top Funds, become a substantial security holder of an Underlying Fund. The Top Funds will be "related investment funds", as such term is defined in the Legislation.

61. In addition, the Fund-on-Underlying Funds Structure may result in a Top Fund investing in an Underlying Fund in which an officer or director of TDAM or an affiliate of TDAM has a significant interest and/or a Top Fund investing in an Underlying Fund in which a person or company who is a substantial security holder of the Top Fund, TDAM or an affiliate of TDAM has a significant interest.

62. The Fund-on-Underlying Funds Structure will also result in a Top Fund investing in an Underlying Fund in which a responsible person or an associate of a responsible person is a partner, officer or director, or performs a similar function or occupies a similar position.

63. In the absence of the Related Issuer Relief, each Top Fund would be precluded from purchasing and holding securities of an Underlying Fund due to the investment restrictions contained in the Legislation.

64. In the absence of the Consent Requirement Relief, TDAM or its affiliates would be precluded from causing a Top Fund to invest in an Underlying Fund in these circumstances unless the consent of each investor in the Top Fund is obtained.

65. Since the Top Funds will not be reporting issuers subject to National Instrument 81-102 Investment Funds (NI 81-102) they cannot rely on the exemption from the Related Issuer Restriction and the Consent Requirement codified under subsection 2.5(7) of NI 81-102 in order to facilitate the Fund-on-Underlying Funds Structure.

66. A Top Fund's investment in an Underlying Fund will represent the business judgment of a responsible person uninfluenced by considerations other than the best interests of the investment funds concerned.

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 Requested Relief is granted provided that:

(a) the securities of the Top Funds and the Underlying Funds are distributed in Canada solely to accredited investors pursuant to exemptions from the prospectus requirements in accordance with NI 45-106;

(b) the investment by a Top Fund in an Underlying Fund is compatible with the fundamental investment objectives of the Top Fund;

(c) at the time of the purchase by a Top Fund of securities of an Underlying Fund, either the Underlying Fund holds no more than 10% of its NAV in securities of other investment funds or the Underlying Fund:

  (i) has adopted a fundamental investment objective to track the performance of another investment fund or similar investment product;

  (ii) purchases or holds securities of investment funds that are "money market funds" (as such term is defined in NI 81-102); or

  (iii) purchases or holds securities that are "index participation units" (as such term is defined in NI 81-102) issued by an investment fund;

(d) no management fees or incentive fees are payable by a Top Fund that, to a reasonable person, would duplicate a fee payable by an Underlying Fund for the same service;

(e) no sales fees or redemption fees are payable by a Top Fund in relation to its purchases or redemptions of securities of an Underlying Fund;

(f) the securities of an Underlying Fund held by a Top Fund will not be voted at any meeting of the security holders of the Underlying Fund, except that the Top Fund may arrange for the securities of the Underlying Fund it holds to be voted by the beneficial holders of securities of the Top Fund;

(g) the statement of investment policies and procedures or other similar document provided or made available to each investor in a Top Fund will disclose:

  (i) that the Top Fund will purchase securities of one or more Underlying Funds;

  (ii) that TDAM is the IFM and PM of the Top Fund and that Greystone, an affiliate of TDAM, is the PM of each of the Underlying Funds;

  (iii) the approximate or maximum percentage of the NAV of the Top Fund that it is intended be invested in securities of each Underlying Fund;

  (iv) the process or criteria used to select the Underlying Funds, if applicable;

  (v) that one or more officers, directors or substantial securityholders of TDAM, an affiliate of TDAM or of the Top Fund may have a significant interest in an Underlying Fund, and the potential conflicts of interest which may arise from such relationships;

  (vi) the fees and expenses payable by the Underlying Funds that the Top Fund may invest in, including any incentive fee; and

  (vii) that securityholders of the Top Fund are entitled to receive from TDAM or an affiliate of TDAM, on request and free of charge, a copy of the offering memorandum or other disclosure document, if any, and the annual and interim financial statements of the Underlying Funds in which the Top Fund invests;

(h) a Top Fund will not invest in units of the Mortgage Fund unless, at the time of purchase, at least 20% of the units of the Mortgage Fund are held by unitholders that are not affiliated or associated with TDAM or Greystone;

(i) a Top Fund will not invest in units of the Real Estate Fund unless, at the time of purchase, at least 20% of the units of the Real Estate Fund are held by unitholders that are not affiliated or associated with TDAM or Greystone;

(j) a Top Fund will not invest more than 50% of its NAV, at the time of purchase, in units of the Infrastructure Fund;

(k) a Top Fund will not invest in units of the Infrastructure Fund unless, at the time of purchase, at least 20% of the units of the Master Infrastructure Fund are directly or indirectly held by unitholders that are not affiliated or associated with TDAM or Greystone (not including any holdings made through the Top Fund); and

(l) a Top Fund will invest in units of each Underlying Fund at the NAV of the applicable Underlying Fund based on the valuation of the applicable portfolio assets by the MF Independent Valuator, the RE Independent Appraiser or the IF Independent Appraiser, as applicable.

The Consent Requirement Relief

"Neeti Varma"
Acting Manager
Investment Funds and Structured Products Branch

The Related Issuer Relief

"M. Cecilia Williams"
Commissioner
Ontario Securities Commission

"Garnet W. Fenn"
Commissioner
Ontario Securities Commission

2.1.5 Cansortium Inc.

Headnote

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

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

Applicable Legislative Provisions

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

March 13, 2019

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
CANSORTIUM INC.
(the Filer)

DECISION

Background

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

(a) section 12.2 of National Instrument 41-101 *General Prospectus Requirements* ("**NI 41-101**"), relating to the use of restricted security terms, and sections 1.13 and 10.6 of Form 41-101F1 *Information Required in a Prospectus* ("**Form 41-101F1**") and sections 1.12 and 7.7 of Form 44-101F1 *Short Form Prospectus* ("**Form 44-101F1**"), relating to restricted security disclosure, shall not apply to the common shares in the capital of the Filer (the "**Common Shares**") (the "**Prospectus Disclosure Exemption**") in connection with: (i) a final long-form prospectus (the "**Prospectus**") in connection with the Filer's initial public offering (the "**IPO**"); (ii) other prospectuses ("**Other Prospectuses**") that may be filed by the Filer under NI 41-101 or National Instrument 44-101 *Short Form Prospectus Distributions* ("**NI 44-101**"), including a prospectus filed under National Instrument 44-102 *Shelf Distributions*;

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

(c) Part 10 of National Instrument 51-102 *Continuous Disclosure Obligations* ("**NI 51-102**") relating to the use of restricted security terms and restricted security disclosure shall not apply to the Common Shares (the "**CD**

Disclosure Exemption") in connection with continuous disclosure documents (the "**CD Documents**") that may be filed by the Filer under NI 51-102;

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

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

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

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

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

(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 Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Prince Edward Island and Saskatchewan (other than with respect to the OSC Rule 56-501 Disclosure Exemption and the OSC Rule 56-501 Withdrawal Exemption), which, pursuant to subsection 8.2(2) of National Policy 11-202 *Process for Prospectus Reviews in Multiple Jurisdictions* ("**NP 11-202**") and subsection 5.2(6) of National Policy 11-203 *Process for Exemptive Relief Applications in Multiple Jurisdictions* ("**NP 11-203**"), also satisfies the notice requirement of subsection 4.7(1)(c) of MI 11-102.

Interpretation

Terms defined in National Instrument 14-101 *Definitions*, MI 11-102, NP 11-202, NP 11-203, NI 41-101, NI 44-101, NI 51-102 and OSC Rule 56-501 have the same meaning if used in this decision, unless otherwise defined.

Representations

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

1. The Filer is a corporation incorporated under the *Business Corporations Act* (Ontario) (the "**OBCA**") on August 31, 2018 and is not a reporting issuer in any province or territory of Canada.

2. The registered office of the Filer is located at 295 The West Mall, 6th Floor, Toronto, Ontario, M9C 4Z4, and the head office of the Filer is located at 82 North East 26th Street, Suite 110, Miami, Florida, 33137, United States.

3. The Filer was incorporated to acquire and hold, directly or indirectly, all of the capital stock of Cansortium Holdings LLC ("**CSH**") in contemplation of the IPO.

4. CSH currently owns, either directly or indirectly, through its subsidiaries, all of the assets and operations relating to the business to be owned, directly or indirectly, by the Filer following completion of the IPO. In connection with the IPO, CSH's existing securityholders (the "**CSH Unitholders**") will exchange all of their membership units of CSH and will receive shares of the Filer pursuant to a reorganization (the "**Reorganization**"). Following completion of the Reorganization, the Filer will own 100% of the membership units of CSH through a wholly owned subsidiary.

5. The Filer filed a preliminary long-form prospectus dated February 11, 2019 with the securities regulatory authorities in each of the provinces of Canada, except Quebec, in connection with the IPO. Upon completion of the IPO, the Common Shares will be listed on the Canadian Securities Exchange (the "**CSE**").

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

7. Upon completion of the Reorganization, the Filer's authorized share capital will consist of an unlimited number of Common Shares and an unlimited number of proportionate voting shares ("**PV Shares**" and, together with the Common Shares, the "**Shares**"). The PV Shares will constitute subject securities (as defined in NI 41-101, NI 51-102, and OSC Rule 56-501) and the Filer's only issued and outstanding subject securities will be the PV Shares.

8. Upon completion of the Reorganization, all of the CSH Unitholders will have exchanged their units of CSH and received PV Shares and Common Shares of the Filer. All of the issued and outstanding PV Shares will be owned or controlled, directly or indirectly, by the former CSH Unitholders.

9. The Common Shares may, with the consent of the board of directors of the Filer, be converted into PV Shares on the basis of ten Common Shares for one PV Share.

10. The PV Shares may, at any time at the option of the holder thereof, be converted into Common Shares on the basis of one PV Share for ten Common Shares.

11. In the event of the liquidation, dissolution or winding-up of the Filer or any other distribution of its assets among its shareholders for the purpose of winding up its affairs, whether voluntarily or involuntarily, the holders of PV Shares will be entitled to participate in the distribution of the remaining property and assets of the Filer, after payment of all debts and other liabilities, with each PV Share being entitled to ten times the amount distributed per Common Share and otherwise without preference or distinction among or between the Shares.

12. Each PV Share will be entitled to dividends if, as and when dividends are declared by the board of directors, with each PV Share being entitled to ten times the amount paid or distributed per Common Share (or, if a stock dividend is declared, each PV Share shall be entitled to receive the same number of PV Shares per PV Share as the number of Common Shares entitled to be received per Common Share) and otherwise without preference or distinction among or between the Shares.

13. The Common Shares will carry one vote per share for all matters coming before the shareholders of the Filer and the PV Shares will carry ten votes per share for all matters coming before shareholders of the Filer.

14. All holders of Shares will be entitled to receive notice of any meeting of shareholders of the Filer, and to attend, vote and speak at such meetings, except those meetings at which only holders of a specific class of shares are entitled to vote separately as a class under the OBCA.

15. The rights, privileges, conditions and restrictions attaching to any Shares may not be modified unless the amendment is authorized by not less than two-thirds of the votes cast at a meeting of holders of the Shares duly held for that purpose. Furthermore, if the holders of the PV Shares, as a class, or the holders of the Common Shares, as a class, are to be affected in a manner materially different from such other class of Shares, the amendment must also be authorized by not less than two-thirds of the votes cast at a meeting of the holders of the class of shares which is affected differently.

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

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

18. In the event that holders of Common Shares are entitled to convert their Common Shares into PV Shares in connection with an Offer, holders of an aggregate of Common Shares of less than ten (an "**Odd Lot**") will be entitled to convert all, but not less than all, of such Odd Lot of Common Shares into a fraction of one PV Share, provided that such conversion into a fractional PV Share will be solely for the purpose of tendering the fractional PV Share to the Offer in question and that any fraction of a PV Share that is tendered to the Offer but that is not, for any reason, taken up and paid for by the offeror will automatically be reconverted into the Common Shares that existed prior to such conversion.

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

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

21. Section 12.3 of NI 41-101 requires that an issuer must not file a prospectus under which restricted securities, subject securities or securities that are, directly or indirectly convertible into, or exercisable or exchangeable for, restricted securities or subject securities, are distributed unless:

(a) the distribution has received prior majority approval of the securityholders of the issuer in accordance with applicable law, including approval on a class basis if required and excluding any votes attaching at the time to securities held, directly or indirectly, by affiliates of the issuer or control persons of the issuer, or

(b) at the time of any restricted security reorganization related to the securities to be distributed (i) the restricted security reorganization received prior majority approval of the securityholders of the issuer in accordance with applicable law, including approval on a class basis if required and excluding any votes attaching at the time to securities held, directly or indirectly, by affiliates of the issuer or control persons of the issuer, (ii) the issuer was a reporting issuer in at least one jurisdiction, and (iii) no purposes or business reasons for the creation of restricted securities were disclosed that are inconsistent with the purpose of the distribution.

22. Sections 1.13 and 10.6 of Form 41-101F1 and sections 1.12 and 7.7 of Form 44-101F1 require that an issuer provide certain restricted security disclosure.

23. Pursuant to the Restricted Security Rules, a "restricted security" means an equity security of a reporting issuer if any of the following apply:

(a) there is another class of securities of the reporting issuer that, to a reasonable person, appears to carry a greater number of votes per security relative to the equity security;

(b) the conditions of the class of equity securities, the conditions attached to another class of securities of the reporting issuer, or the reporting issuer's constating documents have provisions that nullify or, to a reasonable person appear to significantly restrict the voting rights of the equity securities; or

(c) the reporting issuer has issued another class of equity securities that, to a reasonable person, appears to entitle the owners of securities of that other class to participate in the earnings or assets of the reporting issuer to a greater extent, on a per security basis, than the owners of the first class of equity securities.

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

25. Section 10.2 of NI 51-102 sets out the procedure to be followed with respect to the dissemination of disclosure documents to holders of restricted securities.

26. Section 2.2 of OSC Rule 56-501 requires dealer and adviser documentation to include the appropriate restricted share term if restricted shares and the appropriate restricted share term or a code reference to restricted shares or the appropriate restricted share term are included in a trading record published by the CSE or other exchange listed in OSC Rule 56-501.

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

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

29. As the PV Shares will entitle the holder thereof to ten votes per PV Share held, it will technically represent a class of securities to which multiple votes is attached. The multiple votes attaching to the PV Shares would, absent the Exemption Sought, have the following consequences in respect of the technical status of the Common Shares:

(a) pursuant to NI 41-101 and NI 44-101, the Filer would be unable to use the word "common" to refer to the Common Shares in the Prospectus and Other Prospectuses because the PV Shares would represent a security to which are attached voting rights exercisable in all circumstances, irrespective of the number or percentage of securities owned, that are more, per security than the voting rights attached to the Common Shares;

(b) the Common Shares could be considered "restricted securities" pursuant to paragraph (a) of the definition of the term in NI 51-102 and the Filer would be required to provide the specific disclosure required by NI 51-102 in respect of the Common Shares because the PV Shares would represent another class of securities of the Filer that, to a reasonable person, appears to carry a greater number of votes per security relative to the Common Shares;

(c) the Common Shares would be considered "restricted shares" pursuant to OSC Rule 56-501 and the Filer would be subject to the dealer and advisor documentary disclosure obligations and distribution restrictions in OSC Rule 56-501 because the PV Shares would represent a security to which is attached voting rights exercisable in all circumstances, irrespective of the number of percentage of shares owned, that are more, on a per share basis, than the voting rights attaching to the Common Shares of the Filer and the Filer would be unable to use the word "common" to refer to the Common Shares in a rights offering circular or offering memorandum for a stock distribution.

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

31. The CSE advised the Filer on November 5, 2018 that it will permit the Filer to designate the Common Shares as common shares, provided that the Exemption Sought is granted.

Decision

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

The decision of the principal regulator under the Legislation is that the Exemption Sought is granted provided that:

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

i. the representations in paragraphs 7 to 18, above, continue to apply;

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

iii. the Prospectus includes disclosure consistent with the representations in paragraphs 7 to 18 above;

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

i. the representations in paragraphs 7 to 18, above, continue to apply;

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

iii. the Other Prospectuses include disclosure consistent with the representations in paragraphs 7 to 18 above;

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

i. the representations in paragraphs 7 to 18, above, continue to apply; and

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

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

i. the representations in paragraphs 7 to 18, above, continue to apply; and

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

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

i. the representations in paragraphs 7 to 18, above, continue to apply; and

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

"Michael Balter"
Manager, Corporate Finance
Ontario Securities Commission

2.1.6 Children's Education Funds Inc. et al.

Headnote

National Policy 11-203 Process for Exemptive Relief in Multiple Jurisdictions – Relief granted to scholarship plan for extension of prospectus lapse date – Additional time needed to consider impact of certain proposed changes to operational practices on disclosure – Extension of lapse date will not impact currency of disclosure relating to the funds.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S 5, as am., ss. 62(2), 62(5).

February 14, 2019

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

AND

IN THE MATTER OF
CHILDREN'S EDUCATION FUNDS INC.
(the Filer)

AND

THE CHILDREN'S EDUCATION TRUST OF CANADA,
GROUP OPTION PLAN,
SELF INITIATED PLAN AND
ACHIEVERS PLAN
(each, a Plan, and collectively, the Plans)

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filer for a decision under the securities legislation of the Jurisdiction of the principal regulator (the **Legislation**) for an exemption that the time limits pertaining to filing the renewal prospectus of the Plans be extended as if the lapse date of the Plans' prospectus dated November 6, 2017 (the **Current Prospectus**) is June 6, 2019 (the **Exemption Sought**).

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

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

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

Interpretation

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

Representations

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

1. The Filer is a corporation incorporated under the *Business Corporations Act* (Ontario).

2. The Filer is registered as a scholarship plan dealer under applicable securities legislation in each of the Jurisdictions. The Filer is also registered as an investment fund manager under applicable securities legislation in Newfoundland and Labrador, Ontario and Quebec.

3. Each Plan is an "Education Savings Plan" under s. 146.1 of the *Income Tax Act* (Canada). The Plans are currently administered by the Filer which is also the investment fund manager of the Plans.

4. Each Plan is a reporting issuer in each of the Jurisdictions.

5. Securities of the Plans are currently qualified for distribution in each of the Jurisdictions under the Current Prospectus and the Plans are reporting issuers under the laws of each of the provinces and territories of Canada.

6. None of the Plans, nor the Filer, is in default of securities legislation in any of the Jurisdictions.

7. The original lapse date of the Current Prospectus was November 6, 2018. Pursuant to a decision dated November 15, 2018 (the **Previous Decision**) the time limits pertaining to filing the renewal prospectus of the Plans were extended as if the lapse date of the Current Prospectus was February 6, 2019 (the **Current Lapse Date**). The Previous Decision was granted to allow sufficient time to complete discussions between the Filer and the OSC regarding proposed changes to the Filer's operational and allocation practices affecting the Plans (the **Discussions**).

8. Under the Legislation, the distribution of the securities of each Plan would have to cease on the Current Lapse Date unless: (a) each Plan files a pro forma prospectus at least 30 days prior to the Current Lapse Date, (b) the final prospectus is filed no later than 10 days after the Current Lapse Date, and (c) a receipt for the final prospectus is obtained within 20 days of the Current Lapse Date.

9. A pro forma prospectus for the Plans was filed on October 9, 2018 in connection with the continuous public offering of the securities of each Plan. In accordance with the Previous Decision, without the Exemption Sought, the final prospectus for the Plans would have to be filed by February 16, 2019 and a receipt must be obtained by February 26, 2019 in order for the distribution of securities of the Plans to continue without interruption.

10. Currently, the Discussions are still ongoing and given the anticipated timing of the completion of the Discussions, the relevant disclosure in the final prospectus cannot be finalized prior to the Current Lapse Date. The Exemption Sought is requested in order to allow sufficient time to finalize this disclosure without resulting in the Plans being forced to cease distribution of their securities because the Current Prospectus has lapsed.

11. Since the date of the Current Prospectus, there has been no undisclosed material change in the Plans. Accordingly, the Current Prospectus continues to provide accurate information regarding the Plans.

12. Should any material changes be proposed in the interim, the Plans' prospectus will be amended accordingly. Therefore, the Exemption Sought will not affect the currency or accuracy of the information contained in the Current Prospectus, and therefore will not be prejudicial to the public interest.

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.

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

2.1.7 Arrow Capital Management Inc. and Exemplar Leaders Fund

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – approval of investment fund merger – approval required because merger does not meet the criteria for pre-approved reorganizations and transfers in National Instrument 81-102 Investment Funds – the terminating fund and continuing fund do not have substantially similar fundamental investment objectives – mergers otherwise comply with pre-approval criteria, including qualifying exchange under the Income Tax Act (Canada), unitholder vote, IRC approval – unitholders provided with timely and adequate disclosure regarding the merger.

Applicable Legislative Provisions

National Instrument 81-102 Investment Funds, ss. 5.5(1)(b), 5.7(1)(b), 19.1(2).

March 13, 2019

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
ARROW CAPITAL MANAGEMENT INC.
(the Filer)

AND

EXEMPLAR LEADERS FUND
(the Terminating Fund)

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filer on behalf of the Terminating Fund for a decision under the securities legislation of the Jurisdiction (the **Legislation**) for approval of the proposed merger (the **Merger**) of the Terminating Fund into Exemplar Growth and Income Fund (the **Continuing Fund**, and together with the Terminating Fund, the **Funds**) pursuant to paragraph 5.5(1)(b) of National Instrument 81-102 *Investment Funds* (**NI 81-102**) (the **Approval Sought**).

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

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

(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 each of British Columbia, Alberta, Saskatchewan, Manitoba, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, Nunavut, Yukon and Northwest Territories (together with Ontario, the **Canadian Jurisdictions**).

Interpretation

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

Representations

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

The Filer and the Funds

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

2. The Filer is registered in the following categories in the jurisdictions as indicated below:

   (a) Ontario: Portfolio Manager, Investment Fund Manager (**IFM**), Exempt Market Dealer (**EMD**) and Commodity Trading Manager under the *Commodity Futures Act* (Ontario);

   (b) Alberta: EMD;

   (c) British Columbia: EMD;

   (d) Quebec: EMD and IFM; and

   (e) Newfoundland and Labrador: IFM.

3. The Filer is the investment fund manager and portfolio manager of each of the Funds.

4. Each of the Funds is an open-end mutual fund trust established under the laws of Ontario by a declaration of trust pursuant to which the Filer is the trustee.

5. Each of the Funds is a reporting issuer under the applicable securities legislation in the Canadian Jurisdictions and subject to NI 81-102.

6. Securities of the Funds (and of other certain mutual funds forming part of the Exemplar Mutual Funds fund family) are currently qualified for distribution in the Canadian Jurisdictions pursuant to the simplified prospectus, annual information form and fund facts documents dated July 5, 2018, as amended on September 19, 2018 and January 31, 2019 (collectively, the **Offering Documents**).

7. The net asset value (**NAV**) for each series of the Funds is calculated on a daily basis in accordance with the Funds' valuation policy and as described in the Offering Documents.

8. Neither the Filer nor the Funds are in default of securities legislation in any of the Canadian Jurisdictions.

Reason for Approval Sought

9. Regulatory approval of the Merger is required because the Merger does not satisfy all of the criteria for pre-approved reorganizations and transfers set out in section 5.6 of NI 81-102. In particular, the investment objectives of the Continuing Fund are not, or may not be considered to be, "substantially similar" to the investment objectives of the Terminating Fund.

10. The investment objectives of the Terminating Fund and the Continuing Fund are as follows:

Exemplar Leaders Fund (Terminating Fund)	**Exemplar Growth and Income Fund (Continuing Fund)**
The investment objective of the Terminating Fund is to maximize absolute returns on investments through securities selection and asset allocation. The Terminating Fund focuses on achieving growth of capital through superior securities selection and pursues a long-term investment program with the aim of generating capital gains. The Terminating Fund attempts to reduce volatility through diversifying the portfolio across both economic sectors as well as across market capitalizations (company size and liquidity). The Terminating Fund invests primarily in equity and equity-related securities of North American companies. The Terminating Fund may also invest in international companies.	The investment objective of the Continuing Fund is to achieve long term growth and preservation of capital. The Continuing Fund will invest up to all of its assets in a diversified mix of other mutual funds (in order to gain indirect exposure to securities that the Continuing Fund would otherwise directly invest in), and may also invest in common shares, preferred shares, treasury bills, short-term notes, debentures, and bonds. The Continuing Fund intends to invest primarily in Canadian securities.

11. Except as described in this decision, the Merger complies with all of the other criteria for pre-approved reorganizations and transfers set out in section 5.6 of NI 81-102.

The Proposed Merger

12. In its capacity as the manager of the Funds, the Filer proposes to merge the Terminating Fund into the Continuing Fund.

13. In accordance with National Instrument 81-106 Investment Fund Continuous Disclosure, a press release describing the proposed Merger has been issued and the press release, material change report, amendment to the simplified prospectus of the Terminating Fund, amendment to the annual information form of the Terminating Fund and the amended and restated fund facts documents of the Terminating Fund, all dated February 22, 2019, and which give notice of the proposed Merger, have been filed via SEDAR.

14. The unitholders of the Terminating Fund will be asked to approve the Merger at a meeting of the unitholders of the Terminating Fund expected to be held on or about March 19, 2019.

15. Subject to receipt of the unitholder approvals and the Approval Sought, the Merger is expected to occur on or about March 27, 2019, or as soon as practicable thereafter (the **Effective Date**).

16. The proposed Merger does not require approval of existing unitholders of the Continuing Fund as the Filer has determined that the proposed Merger does not constitute a material change to the Continuing Fund.

17. As required by National Instrument 81-107 *Independent Review Committee for Investment Funds* (**NI 81-107**), the Independent Review Committee (**IRC**) has been appointed for the Funds. The Filer presented the terms of the Merger to the IRC for a recommendation. The IRC reviewed the proposed Merger and provided a positive recommendation for the Merger, having determined that the Merger, if implemented, would achieve a fair and reasonable result for each of the Funds and their respective unitholders. A summary of the IRC's recommendation has been included in the notice of special meeting sent to unitholders of the Terminating Fund as required by section 5.1(2) of NI 81-107.

18. A notice of meeting, management information circular (the **Circular**), proxy and the most recently filed fund facts document(s) of the applicable series of the Continuing Fund (the **CF Fund Facts**, and together with the Circular and proxy, the **Meeting Materials**) were mailed to unitholders of the Terminating Fund commencing on or about February 22, 2019 and have been filed via SEDAR.

19. The Meeting Materials contain the CF Fund Facts, a description of the proposed Merger, information about the Terminating Fund and the Continuing Fund, a description of their differences and income tax considerations for investors of the Funds and the IRC's recommendation regarding the Merger so that the unitholders of the Terminating Fund could consider this information before voting on the Mergers. The Meeting Materials also describe the various ways in which investors can obtain a copy of the simplified prospectus and annual information form of the Continuing Fund, as well as the most recent interim and annual financial statements and management reports of fund performance for the Continuing Fund, at no cost.

20. In light of the disclosure in the Circular, unitholders of the Terminating Fund should have had all the information necessary to determine whether the proposed Merger is appropriate for them.

21. Costs and expenses associated with the Merger will be borne by the Filer and will not be charged to the Funds. The costs of the Merger include legal, printing, mailing and regulatory fees, as well as proxy solicitation and brokerage costs.

22. Subject to receiving the necessary approvals, including unitholder approval at the unitholder meeting, effective as of the close of business on March 22, 2019, the Terminating Fund will cease distribution of securities and any new purchases of securities will not be allowed. The Terminating Fund will remain closed to purchase-type transactions, except pursuant to the Terminating Fund's pre-authorized purchase program, until it is merged with the Continuing Fund on the Effective Date. All systematic programs shall remain unaffected until the business day immediately before the Effective Date.

23. Unitholders in the Terminating Fund will continue to have the right to redeem their securities up to the close of business on the last business day before the effective date of the Merger.

24. Following the Merger, all optional services (such as systematic withdrawal plans) will continue to be available to investors. Unitholders of the Terminating Fund will be automatically enrolled in comparable plans with respect to their corresponding securities of the Continuing Fund unless they advise otherwise.

25. Unitholders may change or cancel any systematic program at any time and unitholders of the Terminating Fund who wish to establish one or more systematic programs in respect of their holdings in the Continuing Fund may do so following the Merger.

26. Unitholders of the Terminating Fund who elected to receive distributions in cash from the Terminating Fund before the Merger will receive distributions in cash from the Continuing Fund after the Merger.

27. No sales charges will be payable by unitholders of the Funds in connection with the Merger.

28. The Merger will be completed as a "qualifying exchange" or a tax-deferred transaction under the *Income Tax Act* (Canada) (the **Tax Act**).

29. The Terminating Fund and the Continuing Fund are, and are expected to continue to be at all material times, mutual fund trusts under the Tax Act and, accordingly, units of both Funds are "qualified investments" under the Tax Act for registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax free savings accounts.

Proposed Merger Steps

28. Any investment held by the Terminating Fund that is not consistent with the investment objective of the Continuing Fund or acceptable to the portfolio manager of the Continuing Fund will be sold prior to the Effective Date. As a result, the Terminating Fund will temporarily hold cash and/or money market instruments and will not be invested in accordance with its investment objectives for a brief period of time prior to the Merger. The value of any investment sold prior to the Effective Date will depend on prevailing market conditions.

29. Prior to effecting the Merger, each of the Terminating Fund and the Continuing Fund will distribute to their respective unitholders sufficient net income and net realized capital gains so that neither of the Funds will be subject to tax under Part I of the Tax Act for the taxation year ended at the time of the Merger.

30. On the Effective Date, the Terminating Fund will transfer all of its assets less an amount required to satisfy the liabilities of the Terminating Fund, to the Continuing Fund, in exchange for units of the Continuing Fund. The units of the Continuing Fund received by the Terminating Fund will have an aggregate NAV equal to the value of the net assets transferred by the Terminating Fund.

31. Immediately following the above-noted transfer, the Terminating Fund will redeem its outstanding units and distribute the units of the Continuing Fund received by the Terminating Fund to unitholders of the Terminating Fund, in exchange for all such unitholders' existing units of the Terminating Fund on a series-for-series and dollar-for-dollar basis.

32. Unitholders of Series A and F units of the Terminating Fund will receive Series AN and Series FN units of the Continuing Fund, respectively, and such corresponding series of units are subject to the same rate of management fees.

33. Immediately following the Merger, unitholders of the Terminating Fund will hold units of the Continuing Fund of a series corresponding to the series of, and of equivalent value to, their units of the Terminating Fund. The Continuing Fund has the same valuation procedures as the Terminating Fund.

34. As soon as reasonably possible following the Merger, the Terminating Fund will be wound up.

Benefits of the Merger

35. The Filer believes that the Merger is in the best interests of the Terminating Fund and the Continuing Fund and their unitholders and will be beneficial to unitholders of the Terminating Fund and the Continuing Fund for the following reasons:

    (a) under the Merger, investors in the Terminating Fund are provided greater flexibility to decide when a disposition and possible taxable event is triggered because they have the option to redeem their units before the Merger if they so choose, or they can participate in the tax-deferred Merger and avoid a disposition and possible taxable event that would occur in connection with the liquidation of the Terminating Fund;

    (b) the Continuing Fund is a better alternative for investors than the Terminating Fund as it has a more comprehensive and flexible investment mandate which has reduced volatility and increased performance in the past;

(c) the Merger will provide economies of scale by eliminating duplicative administrative and regulatory costs of operating the Terminating Fund and the Continuing Fund as separate mutual funds;

(d) the Continuing Fund is not charged a performance fee whereas the Terminating Fund is charged a performance fee; and

(e) following the Merger, the Continuing Fund will have more assets allowing for increased portfolio diversification opportunities and a smaller proportion of assets set aside to fund redemptions.

Decision

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

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

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

2.1.8 Russell Investments Canada Limited

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – relief granted to exchange-traded series of conventional mutual funds for continuous distribution of securities – relief to permit funds' prospectus to not include an underwriter's certificate – relief from take-over bid requirements for normal course purchases of securities on the TSX – relief granted to facilitate the offering of exchange-traded series and conventional mutual fund series within same fund structure – relief granted from the requirement in NI 41-101 to prepare and file a long form prospectus for exchange-traded series provided that a simplified prospectus is prepared and filed in accordance with NI 81-101 – exchange-traded series and mutual fund series referable to same portfolio and have substantially identical disclosure – relief permitting all series of funds to be disclosed in same prospectus – disclosure required by NI 41-101 for exchange-traded series and not contemplated by NI 81-101 will be disclosed in prospectus under relevant headings.

Applicable Legislative Provisions

Securities Act (Ontario), R.S.O. 1990, c. S.5, as am., ss. 59(1), 147.
National Instrument 41-101 General Prospectus Requirements, s. 19.1.
National Instrument 62-104 Take-Over Bids and Issuer Bids, Part 2 and s. 6.1.

March 5, 2019

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
RUSSELL INVESTMENTS CANADA LIMITED
(the Filer)

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filer on behalf of Russell Investments Global Infrastructure Pool (the **Initial ETF Fund**) and such other mutual funds as are managed by the Filer now or in the future and that are structured in the same manner as the Initial ETF Fund (the **Future ETF Funds** and, together with the Initial ETF Fund, the **ETF Funds** and each, individually, an **ETF Fund**) for a decision under the securities legislation of the Jurisdiction (the **Legislation**) that:

(a) exempts the Filer and each ETF Fund from the requirement to prepare and file a long form prospectus for the ETF Securities (as defined below) in the form prescribed by Form 41-101F2 *Information Required in an Investment Fund Prospectus* (**Form 41-101F2**) (the **ETF Prospectus Form Requirement**), other than the requirement to file an ETF facts document (**ETF Facts**) prepared in accordance with Form 41-101F4 *Information Required in an ETF Facts Document* in respect of each class or series of ETF Securities, subject to the terms of this decision and provided that the ETF Fund files a prospectus for the ETF Securities in accordance with the provisions of National Instrument 81-101 *Mutual Fund Prospectus Disclosure* (**NI 81-101**), other than the requirements pertaining to the filing of a fund facts document and the changes to the disclosure in such prospectus described in this decision;

(b) exempts the Filer and each ETF Fund from the requirement (the **Underwriter's Certificate Requirement**) to include a certificate of an underwriter in an ETF Fund's prospectus, in respect of each class or series of ETF Securities; and

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

(collectively, the **Exemption Sought**).

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

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

(b) the Filer has provided notice that section 4.7(1) of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) is intended to be relied upon in all of the provinces and territories of Canada other than Ontario (together with Ontario, the **Jurisdictions**).

Interpretation

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

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

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

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

Creation Units means newly issued ETF Securities of an ETF Fund.

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

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

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

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

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

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

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

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

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

Securityholders means beneficial or registered holders of ETF Securities or Mutual Fund Securities, as applicable, of the ETF Fund;

Take-over Bid Requirements means the requirements of NI 62-104 relating to take-over bids, including the requirement to file a report of a take-over bid and to pay the accompanying fee, in each Jurisdiction; and

TSX means the Toronto Stock Exchange.

Representations

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

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

2. The Filer is registered in each Jurisdiction in the categories of investment fund manager, portfolio manager and exempt market dealer. The Filer also is registered in Ontario as a commodity trading manager and as a mutual fund dealer exempt from membership in the Mutual Funds Dealer Association of Canada. The Filer also is registered in Manitoba as an advisor (commodities).

3. The Filer is, or will be, the investment fund manager of and portfolio adviser to each ETF Fund. Other portfolio managers may be sub-advisers to the ETF Funds.

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

5. Each ETF Fund:

   (a) is, or will be, established either as a trust governed by the laws of Ontario or as a class of shares of a mutual fund corporation; and

   (b) is, or will be, a reporting issuer in one or more Jurisdictions in which its securities are distributed.

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

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

8. The Initial ETF Fund currently offers series A, B, E, F, O and P units. These Mutual Fund Securities are currently distributed under a simplified prospectus dated June 29, 2018. On or before May 30, 2019, a preliminary prospectus in respect of the ETF Securities of the Initial ETF Fund, or an amended and restated prospectus in respect of the Mutual Fund Securities and ETF Securities of the Initial ETF Fund, will be filed with the securities regulatory authorities in each of the Jurisdictions.

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

10. Mutual Fund Securities of an ETF Fund may be subscribed for or purchased by investors directly from the ETF Fund through appropriately registered dealers.

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

12. In addition to subscribing for and reselling Creation Units, Authorized Dealers, Designated Brokers and Affiliate Dealers will also generally be engaged in purchasing and selling ETF Securities of the same class or series as the Creation Units in the secondary market.

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

of cash and securities other than Baskets of Securities, in an amount equal to the net asset value of the ETF Securities subscribed for next determined following the receipt of the subscription order.

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

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

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

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

ETF Prospectus Form Requirement

18. The Filer believes it is more efficient and expedient to include all of the series of each ETF Fund in one prospectus form instead of two different prospectus forms and that this presentation will assist in providing full, true and plain disclosure of all material facts relating to the securities of the ETF Funds by permitting disclosure relating to all series of securities to be included in one prospectus. An ETF Facts, rather than a fund facts document, will be filed in respect of each ETF Series.

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

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

Underwriter's Certificate Requirement

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

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

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

Take-over Bid Requirements

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

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

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

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

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

Decision

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

1. The decision of the principal regulator is that the Exemption Sought from the ETF Prospectus Form Requirement is granted, provided that the Filer will be in compliance with the following conditions:

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

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

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

2. The decision of the principal regulator is that the Exemption Sought in respect of the Underwriter's Certificate Requirement is granted.

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

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

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

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

"Grant Vingoe"
Commissioner & Vice-Chair
Ontario Securities Commission

"Garnet Fenn"
Commissioner
Ontario Securities Commission

2.2 Orders

2.2.1 Brompton Corp.

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).

March 12, 2019

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
BROMPTON CORP.
(the Filer)

ORDER

Background

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

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

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

(b) the Filer has provided notice that sub-section 4C.5(1) of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) is intended to be relied upon in the Provinces 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 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 publically reported;

4. the Filer is applying for an order that the Filer has ceased to be a reporting issuer in all 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
Ontario Securities Commission

2.2.2 Brompton Corp. – s. 1(6) of the OBCA

Headnote

Applicant deemed to have ceased to be offering its securities to the public under the *Business Corporations Act* (Ontario).

Applicable Legislative Provisions

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

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

AND

IN THE MATTER OF
BROMPTON CORP.
(THE APPLICANT)

ORDER
(Subsection 1(6) of the OBCA)

UPON the application of the Applicant to the Ontario Securities Commission (the **Commission**) for an order pursuant to subsection 1(6) of the OBCA to be deemed to have ceased to be offering its securities to the public;

AND UPON the Applicant representing to the Commission that:

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

2. The Applicant has no intention to seek public financing by way of an offering of securities; and

3. On March 12, 2019 the Applicant was granted an order (the "**March 12 Order**") pursuant to subclause 1(10)(a)(ii) of the *Securities Act* (Ontario) that it is not a reporting issuer in Ontario and is not a reporting issuer or the equivalent in any other jurisdiction in Canada in accordance with the simplified procedure set out in National Policy 11-206 *Process for Cease to be a Reporting Issuer Applications*. The representations set out in the March 12 Order continue to be true.

AND UPON the Commission being satisfied to do so would be prejudicial to the public interest;

IT IS HEREBY ORDERED by the Commission, pursuant to subsection 1(6) of the OBCA, that the Applicant is deemed to have ceased to be offering its securities to the public.

DATED at Toronto on this 14th day of March, 2019.

"Grant Vingoe"
Vice-Chair
Ontario Securities Commission

"Tim Moseley"
Vice-Chair
Ontario Securities Commission

2.2.3 Anson Advisors Inc. and Ewing Morris & Co. Investment Partners Ltd.

FILE NO.: 2019-5

IN THE MATTER OF
ANSON ADVISORS INC.

AND

FILE NO.: 2019-6

IN THE MATTER OF
EWING MORRIS & CO. INVESTMENT PARTNERS LTD.

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

March 19, 2019

ORDER

WHEREAS on March 18, 2019, the Ontario Securities Commission held a hearing at the offices of the Commission, located at 20 Queen Street West, 17th Floor, Toronto, Ontario, in respect of:

(a) the Application filed by Anson Advisors Inc. (**Anson**) dated February 27, 2019, File No. 2019-5 (the **Anson Application**), seeking, among other things, an order reversing the decision of the Toronto Stock Exchange (the **TSX**) made on or about February 20, 2019 (the **TSX Decision**), and requiring Acasta Enterprises Inc. (**Acasta**) to obtain minority approval of a debt to equity conversion transaction between Acasta and WFI Inc., and

(b) the Application filed by Ewing Morris & Co. Investment Partners Ltd. (**Ewing**) dated March 4, 2019, File No. 2019-6 (the **Ewing Application**), seeking, among other things, an order reversing the TSX Decision, and requiring Acasta to obtain minority approval of a debt to equity conversion transaction between Acasta and WFI Inc.;

ON HEARING the submissions of the representatives for Anson, Ewing, Acasta, the TSX and Staff of the Commission;

IT IS ORDERED THAT:

1. The Anson Application and the Ewing Application (the **Applications**) shall be heard together and the hearing of the Applications shall commence on May 28, 2019 and continue on May 30 and 31, 2019, commencing at 10:00 a.m. on each day, or on such other dates and times as may be agreed by the parties and set by the Office of the Secretary;

2. All direct evidence in the Applications, including any expert evidence, shall be adduced by way of affidavit evidence;

3. All parties who file affidavit evidence shall make their affiants available for cross-examination by any adverse party at the hearing of the Applications;

4. The TSX shall serve and file the record of the TSX Decision by no later than April 18, 2019;

5. Anson shall serve and file the application record in the Anson Application, including any affidavit evidence being relied upon and any documents or things not included in the TSX record of the original proceeding, by no later than April 26, 2019;

6. Ewing shall serve and file the application record in the Ewing Application, including any affidavit evidence being relied upon and any documents or things not included in the TSX record of the original proceeding, by no later than April 26, 2019;

7. The hearing of any preliminary motions shall commence at 10:00 a.m. on April 29, 2019, or on such other date or time as may be agreed by the parties and set by the Office of the Secretary;

8. Acasta and the TSX shall serve and file any responding records in both Applications, including any affidavit evidence being relied upon, by no later than May 3, 2019;

9. Anson and Ewing shall serve and file any reply records in their respective Applications by no later than May 8, 2019;

10. Anson shall serve and file a memorandum of law and book of authorities in the Anson Application by no later than May 10, 2019;

11. Ewing shall serve and file a memorandum of law and book of authorities in the Ewing Application by no later than May 10, 2019;

12. Acasta and the TSX shall serve and file any responding memoranda of law and books of authorities in both Applications by no later than May 17, 2019;

13. Anson and Ewing shall serve and file any reply memoranda of law and books of authorities in their respective Applications by no later than May 22, 2019; and

14. Staff of the Commission shall serve and file a memorandum of law and book of authorities for both Applications by no later than May 24, 2019.

"D. Grant Vingoe"

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Chapter 4

Cease Trading Orders

4.1.1 Temporary, Permanent & Rescinding Issuer Cease Trading Orders

Company Name	Date of Temporary Order	Date of Hearing	Date of Permanent Order	Date of Lapse/Revoke
THERE IS NOTHING TO REPORT THIS WEEK.				

Failure to File Cease Trade Orders

Company Name	Date of Order	Date of Revocation
Desert Mountain Energy Corp.	07 March 2019	12 March 2019

4.2.1 Temporary, Permanent & Rescinding Management Cease Trading Orders

Company Name	Date of Order	Date of Lapse
LGC Capital Ltd.	30 January 2019	13 March 2019

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
LGC Capital Ltd.	30 January 2019	13 March 2019
Katanga Mining Limited	15 August 2017	

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Chapter 6

Request for Comments

6.1.1 Joint CSA/IIROC Consultation Paper 23-406 Internalization within the Canadian Equity Market

CSA/ACVM Canadian Securities Administrators Autorités canadiennes en valeurs mobilières

Joint CSA/IIROC Consultation Paper 23-406

Internalization within the Canadian Equity Market

March 12, 2019

Part 1 – Introduction

Like many jurisdictions globally, the Canadian equity market has evolved rapidly over recent years. Multiple competing marketplaces have launched operations, new participants have entered the market and the ways in which market participants interact have changed. The technology and tools available to achieve a variety of investing and trading objectives have modernized the Canadian market and made it more efficient. This evolution has in turn raised new issues to consider. On December 5, 2017, the Joint Canadian Securities Administrators (**CSA**)/Investment Industry Regulatory Organization of Canada (**IIROC**) Staff Notice 23-319 *Internalization in the Canadian Market*[1] was published to inform stakeholders that we were gathering information in order to understand current practices related to internalization and to consider how these activities fit within our current rule framework.

The purpose of this consultation paper (the **Consultation Paper)** is to seek feedback in response to concerns regarding the internalization of retail/small orders within the Canadian equity market. The CSA and IIROC, (collectively, **we)** are publishing the Consultation Paper for a 60-day comment period to solicit views. While there are a variety of competing interests, our underlying goal is to ensure the protection of investors, and to foster fair and efficient capital markets and confidence in capital markets. In addition to the specific questions put forth throughout the Consultation Paper, we invite any general comments you may have in relation to internalization.

The comment period will end on **Monday May 13, 2019.**

The remainder of the Consultation Paper is structured as follows:

- Part 2 provides background information, including a description of the relevant aspects of the current Canadian regulatory rule framework and the underlying objectives;
- Part 3 provides relevant data in relation to the magnitude of internalization in Canada;
- Part 4 identifies specific issues and concerns; and
- Part 5 describes other related issues.

Part 2 – Background and History

2.1 Internalization

The term “internalization” is broad. It can refer to different types of trading activities and may occur through a variety of means. For introductory and contextual purposes, a trade that has been “internalized” is generally considered to be a trade that is executed with the same dealer as both the buyer and the seller. A dealer may act as an agent on both sides of an internalized trade, or may act as principal in taking the other side of a client order. A trade can be internalized on a marketplace in multiple ways including

[1] (2017) 40 OSCB 9649 (December 7, 2017).

intentionally, through the execution of an "intentional cross"[2], or through an "unintentional cross"[3] that occurs on a marketplace and is a result of trade matching priority methodologies. For further Canadian context, our rule framework does not permit internalization that results from order execution by a dealer without that execution occurring on a marketplace.

Question 1: How do you define internalization?

As described above, internalization may occur either intentionally or unintentionally. The concept of a dealer intentionally taking steps to maximize the interaction between the orders of clients or between its clients and itself, is not new. In doing so, dealers may benefit from increased efficiencies, greater trading revenue and potentially achieve better outcomes for their clients. However, as technology and trading strategies continue to evolve, we have heard concerns regarding a perceived increase in the magnitude of dealer internalization on Canadian equity marketplaces, and the potential impact of any such increase on the quality of the Canadian market. While there may be some dealer-specific efficiencies and improved client outcomes associated with these changes, these must be weighed against other potential impacts. In section 4.1 of this Consultation Paper, we highlight the issue of the common good versus the individual good. Essential to a discussion about internalization, are questions related to activities and outcomes that may benefit the individual, but which may potentially detract from overall market quality.

It is important to establish at the outset that we have not reached any conclusions regarding internalization. There are a variety of market structure considerations that relate to internalization, and this Consultation Paper seeks feedback on several of these issues. When reviewing the feedback we will consider how evolving market structure and trading practices intersect with existing rules, with the goal of ensuring that the rule framework we have in place continues to protect investors and fosters a fair and efficient market.

2.2 Broker Preferencing

"Broker preferencing" is an important element of the concerns that have been raised in relation to internalization. Broker preferencing is a common order matching feature of many Canadian equity marketplaces, and allows an incoming order sent to a marketplace to match and trade first with other orders from the same dealer, ahead of orders from other dealers that are at the same price and that have time priority. This order matching methodology can facilitate internalization through the execution of unintentional crosses.

Broker preferencing is not new to the Canadian market and pre-dates modern electronic marketplaces in Canada by many years. Historically, its inclusion in the order matching priority of the Toronto Stock Exchange provided an incentive to encourage dealers to commit orders to the order book, rather than matching orders outside of the order book and then executing an intentional cross. It continues to be an order matching feature of many Canadian marketplaces.

2.3 History and Objectives of the Canadian Rule Framework

The purpose of our review of internalization is to consider how current trading practices fit within our rule framework, with the goal of ensuring that the rules continue to meet their intended objectives. While our rule framework currently accommodates some internalization, we want to ensure these rules continue to:

- meet the policy objectives;
- promote the functioning of a fair and efficient market; and
- reflect the evolution of the market.

In 2001, the CSA implemented rules designed to facilitate competition among marketplaces (the **Marketplace Rules**).[4] The Marketplace Rules consist of National Instrument 21-101 *Marketplace Operation* (**NI 21-101**), National Instrument 23-101 *Trading Rules* (**NI 23-101**) and their Companion Policies (**21-101CP** and **23-101CP**, respectively).

The Marketplace Rules were put in place with the objectives of:

- promoting competition and investor choice;

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2 An intentional cross is considered to mean a trade that results from the simultaneous entry by a dealer of both the buy and the sell sides of a transaction in the same security at the same price.

3 An unintentional cross is considered to mean the execution of a trade where the two orders (not simultaneously entered) are from the same dealer. In addition, and relevant to this Consultation Paper, the order matching methodology on many Canadian marketplaces will match and trade an incoming order with other orders from the same dealer first, even ahead of orders from other dealers that are at the same price and that have time priority. See section 2.2 of this Consultation Paper, under the heading *Broker Preferencing*.

4 Published at: http://www.osc.gov.on.ca/documents/en/Securities-Category0/rule_20010817_alternative_trading_systems.pdf.

- improving price discovery;
- decreasing execution costs; and
- improving market integrity.

In the following subsections we outline certain key market attributes or characteristics that have guided the consideration of policy changes in the Canadian market for many years, and have been referenced not only in the continued development of the Marketplace Rules, but specific policy work in relation to dark liquidity[5] and the order protection rule[6]. We also provide a summary of the relevant aspects of our rule framework and the objectives sought through implementation.

2.3.1 Key Attributes of a Market

The following key attributes of a market have been described in several publications including the 1997 TSE *Report of the Special Committee on Market Fragmentation: Responding to the Challenge*, and in Kirzner (2006)[7]. We continue to believe these attributes are relevant, especially in relation to concerns raised about internalization.

1. Liquidity

Liquidity can be defined as the market's capacity to absorb trades from customers' buy and sell orders at, or near, the last sale price of a particular stock. The greater the number of orders and shares available at a particular price, the more liquid the market will be. Some of the characteristics of liquidity are market depth, market breadth, and resiliency.[8]

2. Immediacy

Immediacy refers to how fast an order can be executed. This attribute is closely linked to liquidity, because as liquidity increases, the time to complete a trade should decrease.

3. Transparency

Transparency refers to the degree to which there is real-time dissemination of information about orders and trades to the public.

4. Price Discovery

Price discovery refers to the process through which the execution price for a security is established. The discovery of a security's fair market value is derived primarily from two sources: the supply of and demand for the security, which indicate a participant's willingness to transact at a given price, as well as information about transactions.

5. Fairness

Fairness refers to the perception and the reality that all participants are subject to the same rules and conditions and that no individual or group has an unfair advantage or disadvantage over others. The "fairness" of a market may relate to fair access to either a specific marketplace or the entire market itself, fair access to trading information or the fair treatment of orders.

6. Market Integrity

The integrity of the market relates to the level of confidence in the market as a whole or in a particular marketplace. This confidence level is closely associated with both investors' perception of fairness in the market, and the effectiveness of the regulatory environment.

Question 2: Are all of these attributes relevant considerations from a regulatory policy perspective? If not, please identify those which are not relevant, and why.

Question 3: How does internalization relate to each of these attributes? If other attributes should be considered in the context of internalization, please identify these attributes and provide rationale.

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5 Published at: http://www.osc.gov.on.ca/documents/en/Securities-Category2/csa_20091002_23-404_consultation-paper.pdf.

6 Published at: http://www.osc.gov.on.ca/en/SecuritiesLaw_csa_20140515_23-101_rfc-pro-amd.htm.

7 Kirzner, E., Ideal Attributes of a Marketplace (June 22, 2006). Task Force to Modernize Securities Legislation in Canada, Canada Steps Up, Volume 4 – Maintaining a Competitive Capital Market in Canada.

8 Market depth refers to the number of orders at different prices that are in an order book. Market breadth is the number of shares that are wanted or offered at a particular price level and the ability to absorb an incoming large order. Resiliency refers to the ability for a market to attract offsetting orders relatively quickly when price changes occur.

2.3.2 Marketplace Rules

The Marketplace Rules were established with the objective of creating a rule framework to permit competition between exchanges and alternative trading systems (**ATSs**) that would:

- provide investor choice as to execution methodologies or types of marketplaces;
- improve price discovery;
- decrease execution costs; and
- improve market integrity.[9]

The various elements of the Marketplace Rules are guided by the key attributes of a market described above and impose requirements to ensure that trading is fair and efficient. Specific provisions that are relevant to internalization are described below.

(a) Definition and Regulation of Marketplaces

In furtherance of the objectives of the rule framework, the definition of a "marketplace" is a key element of the Marketplace Rules. The term is used throughout the Marketplace Rules to capture the different types of trading systems that match trades.[10]

NI 21-101 defines "marketplace" to be:[11]

- an exchange
- a quotation and trade reporting system (**QTRS**)
- a person or company that provides a market or facility that uses established, non-discretionary methods[12] to bring orders for securities of multiple buyers and sellers together[13]
- a dealer that executes a trade of an exchange-traded security outside of a marketplace.

With respect to internalization, 21-101CP provides relevant guidance in relation to the activities of a dealer. It provides the following clarifications:

- a dealer that internalizes orders for exchange-traded securities and does not execute and print the trades on an exchange or QTRS in accordance with the rules of the exchange or QTRS is considered to be a marketplace pursuant to the definition.[14]
- a dealer that uses a system to match buy and sell orders or pair orders with contra-side orders outside of a marketplace and routes the matched or paired orders to a marketplace as a cross may be considered to be operating a marketplace.[15]

(b) Fair Access

The fair access requirement prohibits marketplaces from unreasonably prohibiting, conditioning or limiting access to the services it offers.[16] The rule also prohibits unreasonably discriminating among clients, issuers and marketplace participants.[17] Where a

9 (2003) 26 OSCB 4377 June 13, 2003.

10 Subsection 2.1(1) of Companion Policy 21-101CP.

11 A similar definition of "marketplace" is included in the *Securities Act* (Ontario).

12 Subsection 2.1(4) of Companion Policy 21-101CP explains that "established, non-discretionary methods" include any methods that dictate the terms of trading among multiple buyers and sellers entering orders on the system. Such methods include providing a trading facility or setting rules governing trading among marketplace participants. Rules imposing execution priorities, such as time and price priority rules, would be considered as "established, non-discretionary methods".

13 Subsection 2.1(3) of Companion Policy 21-101CP clarifies that a person or company is considered to bring together orders for securities if it: (a) displays or otherwise represents to marketplace participants, trading interests entered on the system; or (b) receives orders centrally for processing and execution (regardless of the level of automation used).

14 Subsection 2.1(1) of Companion Policy 21-101CP.

15 Subsection 2.1(8) of Companion Policy 21-101CP.

16 Section 5.1 of NI 21-101.

17 Subsection 5.1(3) of NI 21-101.

system is determined to be a marketplace (including where dealer internalization activities might be considered as such), the fair access requirement applies.

(c) Best Execution

While marketplaces may implement additional rules, NI 23-101 also establishes basic common trading rules that apply across all marketplaces in order to ensure market integrity, including best execution. Securities legislation imposes a fundamental obligation on dealers to deal fairly, honestly and in good faith with their clients. Best execution requirements stem from this obligation and require dealers to make reasonable efforts to obtain the most advantageous execution terms reasonably available when acting for a client.[18] While best execution is not assessed on a trade-by-trade basis, dealers are expected to establish and follow policies and procedures for achieving best execution and regularly review for the effectiveness of these policies and procedures.[19]

The objectives of these requirements are two-fold: (i) strengthen investor confidence and (ii) foster market fairness.

Where a dealer is taking steps to increase the magnitude of client orders that are internalized, best execution is an important element to consider for the dealer (in relation to their obligations), but also for the CSA and IIROC in the context of any future regulatory policy work.

2.3.3 Universal Market Integrity Rules

NI 23-101 also requires that exchanges regulate their members directly or through a Regulation Services Provider (**RSP**)[20] and that ATSs retain an RSP to monitor the conduct of the ATS and its subscribers.[21] IIROC acts as the RSP for all Canadian equity marketplaces and is also the self-regulatory organization that oversees all dealers and trading activity on these marketplaces. IIROC's Universal Market Integrity Rules (**UMIR**) were established to promote a fair and orderly market. UMIR is "universal" in that it applies to trading on all equity marketplaces and to anyone accessing these marketplaces,[22] and was established with the belief that the adoption of a single set of rules that is consistently applied and enforced is the best way to ensure market integrity.[23] The underlying policy objectives of UMIR are consistent with both the Marketplace Rules and the key attributes of a market. Relevant to internalization, there are a number of UMIR provisions that are discussed below.

(a) UMIR 6.3 Exposure of Client Orders

Subject to certain exceptions, Participants[24] must immediately enter client orders that are under a specific size threshold for display on a marketplace that displays orders.[25] The main policy objectives of exposing small orders to the market are:

- to strengthen liquidity;
- to help ensure small orders that can be filled on a marketplace are executed and are not unnecessarily withheld or delayed from being entered on the market; and
- to contribute to price discovery.

A dealer may however, withhold an order if immediately entering it on a marketplace would not serve the best interests of the client. If the Participant withholds the order, it must guarantee that:

- the client receives a price at least as good as the price the client would have received had the client order been executed on receipt by the dealer; or

18 Part 4 of NI 23-101 and IIROC Dealer Member Rule 3300.

19 Subsection 4.1(3) of Companion Policy 23-101CP.

20 Section 7.1 of NI 23-101.

21 Section 8.3 of NI 23-101.

22 Currently only Participants and Access Persons, as defined in UMIR, may access a marketplace for which IIROC is the RSP.

23 https://www.bcsc.bc.ca/Securities_Law/Policies/Policy2/PDF/23-401_UMI_Rules/.

24 "Participant" is defined in UMIR to mean (a) a dealer registered in accordance with securities legislation of any jurisdiction and who is: (i) a member of an Exchange, (ii) a user of a QTRS, or (iii) a subscriber of an ATS; or (b) a person who has been granted trading access to a marketplace and who performs the functions of a derivatives market maker.

25 Subject to certain exceptions, all orders that are 50 standard trading units or less must be entered for display on a marketplace that displays orders.

- if traded against a principal order, a better price[26] than would have been received had the client order been executed on receipt by the dealer.

UMIR 6.3 is relevant to internalization in that where small orders are internalized by dealers, regulatory consideration must be given as to whether certain elements of the policy objectives are being met.

(b) UMIR 6.4 Trades to be on a Marketplace

UMIR 6.4 requires that trades by marketplace participants and related entities, subject to some exceptions, are executed on a marketplace. The main policy objectives of this provision are to strengthen liquidity, support price discovery and contribute to transparency.

UMIR 6.4 is relevant to internalization in the context that in jurisdictions such as the United States, the execution of retail orders can occur off-marketplace. This notable difference is a contributing factor in how the Canadian market has evolved and is a consideration in our review and discussion of any future policy work.

(c) UMIR 8.1 Client-Principal Trading

UMIR 8.1 requires principal trades with small client orders to be executed at a better price in order to avoid conflicts inherent in the client-principal relationship[27] and to ensure that such conflicts are resolved in favour of the client. Part 2 of Policy 8.1 clarifies that:

- Some clients are in greater need of protection from the potential conflict of interest in client-principal trades and that the onus on the Participant usually will be reduced if the client is a fully informed institutional client with regard to the state of the market.

- If there was no prior discussion with the client concerning executing the client's order in a client-principal trade, or if there are no standing instructions on the handling of orders, the Participant must judge whether any steps need to be taken to ensure that a better price is not available.

UMIR 8.1 is relevant to internalization in that where a dealer may be taking steps to internalize small client orders, the trades must be executed in compliance with applicable provisions, including UMIR 8.1.

(d) Definition of "Standard Trading Unit"

Both UMIR 6.3 and UMIR 8.1 use thresholds of 50 standard trading units[28] to determine whether the rule will apply to a specific order. This threshold is intended to capture smaller size orders that are representative of non-institutional orders.[29]

Part 3 – Magnitude of Internalization in Canada

As a starting point for the consideration of issues related to internalization, we believe that it is appropriate to understand the magnitude of trades that are internalized on Canadian marketplaces. For this purpose, a quantitative analysis is included as Appendix A. This analysis explores:

- intentional crosses,

- unintentional crosses, and

[26] "Better price" is defined in UMIR to mean, in respect of each trade resulting from an order for a particular security: (a) in the case of a purchase, a price that is at least one trading increment lower than the best ask price at the time of the entry of the order to a marketplace provided that, if the best bid price is one trading increment lower than the best ask price, the price shall be at least one-half of one trading increment lower; and (b) in the case of a sale, a price that is at least one trading increment higher than the best bid price at the time of the entry of the order to a marketplace provided that, if the best ask price is one trading increment higher than the best bid price, the price shall be at least one-half of one trading increment higher.

[27] IIROC Rules Notice 12-0130 p. 7.

[28] "standard trading unit" is defined in UMIR to mean in respect of: (a) a derivative instrument, 1 contract, (b) a debt security that is a listed security or a quoted security, $1000 in principal amount; or (c) any equity or similar security: (i) 1,000 units of a security trading at less than $0.10 per unit, (ii) 500 units of a security trading at $0.10 or more per unit and less than $1.00 per unit, and (iii) 100 units of a security trading at $1.00 or more per unit.

[29] IIROC is in the process of assessing whether this threshold continues to meet the objectives of the UMIR provisions to which it is applicable. If this threshold is changed as a result of the review, this may result in capturing a greater number of orders subject to UMIR 6.3 and 8.1, and possibly affect how a dealer interacts with its client orders.

- the use of broker preferencing on certain Canadian marketplaces

Highlights of the statistics presented in Appendix A are set out below.

3.1 Intentional and Unintentional Crosses

Part 1 of Appendix A provides data regarding the magnitude of intentional and unintentional crosses for the period of January 2016 to June 2018. Among other elements provided, it separates the data into six-month buckets and shows the average of all trade executions resulting from intentional and unintentional crosses by volume, value and number of trades. For the most recent period examined (January to June 2018) these averages are:

Unintentional Crosses by Number of Trades	13.91%
Unintentional Crosses by Volume	12.75%
Unintentional Crosses by Value	13.40%
Intentional Crosses by Number of Trades	0.11%
Intentional Crosses by Volume	8.87%
Intentional Crosses by Value	11.67%

The net changes from the average of the first six months of 2016 to the average of the first six months of 2018 are:

Unintentional Crosses by Number of Trades	1.64%
Unintentional Crosses by Volume	0.90%
Unintentional Crosses by Value	1.96%
Intentional Crosses by Number of Trades	0.06%
Intentional Crosses by Volume	-2.66%
Intentional Crosses by Value	-1.51%

3.2 Broker Preferencing

Part 2 of Appendix A details the magnitude of trades that resulted from broker preferencing (i.e. where an order executed ahead of another order (other orders) from a different dealer(s) that was at the same price and that had time priority) for the period of January 2017 to July 2018. Not every Canadian marketplace is able to accurately identify trades that result from broker preferencing and as a result, the data only includes those marketplaces that were able to provide relevant information.

The information is provided in terms of total volume, value and number of trades and as a percentage of total volume, value and number of trades. It is further separated by trades that are client to client, client to inventory and other.

Over the period of January 2017 to July 2018, the following data represents the average volume, value and number of trades resulting from broker preferencing as a percentage of total volume, value and number of trades.

Number of Broker Preferenced Trades	Average as Percent of Total Number of Trades
Client to Client	3.91%
Client to Inventory	1.06%
Other	0.35%

Volume of Broker Preferenced Trades	Average as Percent of Total Volume of Trades
Client to Client	4.44%
Client to Inventory	2.03%
Other	0.30%

Value of Broker Preferenced Trades	Average as Percent of Total Value of Trades
Client to Client	2.54%
Client to Inventory	1.81%
Other	0.27%

Part 4 – Issues and Concerns

The following sections discuss some of the key issues or concerns that have been identified in relation to internalization. They include considerations related to:

- the common versus individual good
- the impact of broker preferencing in an evolving Canadian market
- how advanced dealer systems that leverage technology may intersect with the definition of a marketplace in the Canadian rule framework (and the corresponding marketplace requirements)
- the retail investor and segmentation of retail orders, which are inextricably linked to concerns about increasing levels of internalization

4.1 Common Good Versus Individual Good

The internalization of client orders may potentially benefit both the dealer internalizing the orders and its clients. Some client orders may be of sufficient size that they would trade through multiple price levels in an order book resulting in "market impact" and a less advantageous execution outcome. Other orders may be of sufficient size that they must be routed to multiple marketplaces to access all available liquidity. Depending on the technology utilized, network latencies experienced and the state of the order book at the time the order arrives at a marketplace, execution volumes may be different than expected if available liquidity has changed. Where a dealer internalizes a client order and executes the order at a single price, execution quality for clients may improve. Dealers may also experience reduced trading and/or back office processing costs, which also may ultimately benefit their clients.

Given the above, it may seem reasonable to suggest that in certain instances, the internalization of client orders could be in the best interests of the client, and in furtherance of a dealer's best execution obligations. However, dealers collectively acting in a manner that maximizes their benefits and the benefits to their own clients raises questions about whether and how this impacts the market as a whole. Where a dealer internalizes a client order that would otherwise have traded with existing displayed orders, another market participant has, at least in the immediate term, experienced an inferior outcome. Further, concentrated "silos" of orders interacting exclusively within individual dealers may result in inferior outcomes for participants who are not clients of these individual dealers. This raises important considerations that relate to balancing the principles of fairness and market integrity (i.e. confidence in the market) with the recognition that technology has provided the tools to achieve trading outcomes that provide measurable benefits to individual dealers and their clients.

Question 4: Please provide your thoughts on the question of the common versus the individual good in the context of internalization and best execution.

Question 5: Please provide any data regarding market quality measures that have been impacted by internalization. Please include if there are quantifiable differences between liquid and illiquid equities.

Question 6: Market participants: please provide any data that illustrates the impacts to you or your clients resulting from your own efforts (or those of dealers that execute your orders) to internalize client orders (e.g. cost savings, improved execution quality) or the impacts to you or your clients resulting from internalization by other market participants (e.g. inferior execution quality/reduced fill rates).

4.2 Broker Preferencing and Key Attributes of a Market

Broker preferencing is a somewhat unique feature to Canadian marketplaces[30] and has been a divisive issue over the years. Some market participants have expressed concern with the perceived inherent conflict with the use of broker preferencing in

[30] While preferencing allocations have historically been employed on certain marketplaces in the United States, to our knowledge there are only limited other examples of this type of matching priority currently being employed by other marketplaces globally.

trading systems that otherwise prioritize the allocation of trades based on best price followed by time of order entry. Some also believe that it conveys greater benefits to dealers with more client orders, limits access to these orders to only those dealers and that it is at odds with general principles of fairness.

Supporters have expressed the view an “on-marketplace” internalization mechanism such as broker preferencing is more favourable and potentially more beneficial to market quality than alternatives. As previously noted, in other jurisdictions such as the United States, significant amounts of orders are traded by dealers “off-marketplace”, and these orders are therefore never made available to the broader market. If broker preferencing were to be prohibited or substantially curtailed, concerns have been raised that dealers will search for alternative means by which to achieve the same outcomes away from Canada’s transparent order books.

Broker preferencing can also be viewed as an incentive for dealers (or their clients where direct market access has been provided) to display liquidity in a transparent order book. While critics may argue that it acts as a deterrent to the price discovery process, proponents suggest the opposite.

Over the many years that broker preferencing has been part of the Canadian market, we are not aware of any studies completed or evidence to show that market quality has been negatively impacted as a result. However, if systems are being used to leverage broker preferencing and facilitate automated internalization (further described below), and the breadth of orders that can thus be internalized is larger, the impact on the broader market is not clear. Over time, the expanded use of broker preferencing to internalize a significantly greater magnitude of orders may impact liquidity, price discovery, fairness and market integrity, all of which we continue to believe are key attributes of a well-functioning Canadian market. While the execution results may be positive for clients, we must consider the impact on the broader market.

Question 7: Please provide your views on the benefits and/or drawbacks of broker preferencing?

Question 8: Market participants: where available, please provide any data that illustrates the impact of broker preferencing on order execution for you or your clients (either positive or negative).

Question 9: Please provide your thoughts regarding the view that broker preferencing conveys greater benefits to larger dealers.

Question 10: Does broker preferencing impact (either positively or negatively) illiquid or thinly-traded equities differently than liquid equities?

4.3 Interpretation of the Definition of a Marketplace

As noted above, two main characteristics of a marketplace are that it:

(a) brings orders for multiple buyers and sellers together

(b) allows orders to interact using established, non-discretionary methods

The current definition of a marketplace remains largely unchanged from when the Marketplace Rules were first introduced in 2001. However, technology has changed in many ways since that time and has been a key contributor to the evolution of the Canadian equity market. It has both increased the efficiency of our market and contributed to the complexity of trading. Technology has also helped dealers more efficiently match orders between their own clients and to provide liquidity to clients on a principal basis. While these tasks were once largely manual, technology has enabled dealers to automate the processes.

4.3.1 Automated Matching Against Client Orders on a Marketplace

The term “match” is not defined in NI 21-101 but it is intended to capture the process of bringing a buyer and seller together, potentially resulting in a trade execution. 21-101CP provides additional guidance and clarifies that where a system merely routes unmatched orders to a marketplace for execution, that system would not be considered a marketplace.[31] However, 21-101CP also clarifies that if a dealer uses a system to match buy and sell orders or pair orders with contra-side orders outside of a marketplace and routes the matched or paired orders to a marketplace as a cross, the Canadian securities regulatory authorities may consider the dealer to be operating a marketplace under subparagraph (a)(iii) of the definition of "marketplace".[32]

Systems may be used by dealers that identify potential opportunities to route two “unmatched” orders to a marketplace, which may be executed and internalized through broker preferencing. Using a variety of techniques, a dealer may be able to internalize these orders with a high degree of certainty.

[31] Subsection 2.1(8) of 21-101CP.

[32] Subsection 2.1(8) of 21-101CP.

Although not contemplated at the time the Marketplace Rules were written, systems operating in a manner similar to that described above may appear to exhibit the characteristics of a marketplace as intended by the definition in NI 21-101 and guidance in 21-101CP. The systems may automatically identify potential internalization opportunities and employ various processes to essentially bring together client and principal orders which, using the established non-discretionary order matching methodology of a marketplace, may execute with a high degree of certainty. While the orders are executed as an "unintentional" cross through broker preferencing, the automated processes and resulting trades are intentional in nature.

The automation of this type of dealer activity may also greatly expand the scope of orders to which these processes can be applied. Subject to pre-determined and systematic parameters, technology can bring together or "match" buy and sell orders from large individual classes of a dealer's orders. The ability to automate wide-scale internalization of client orders may further call into question whether the activities exhibit enough characteristics of a marketplace that certain provisions of the Marketplace Rules should apply.

Question 11: Do you believe that a dealer that internalizes orders on an automated and systematic basis should be captured under the definition of a marketplace in the Marketplace Rules? Why, or why not?

4.4 Segmentation of Retail Orders

In the context of trade execution, segmentation of orders means the separation of orders from one class or type of market participant from that of other classes of participants. This can occur through a variety of methods and in the Canadian context is typically focused on the orders of retail investors. Retail orders have a unique value proposition to a variety of market participants. They not only provide value to the dealer responsible for their execution, but also provide value to counterparties on the other side of retail trades (including other investors, market makers and proprietary trading firms) and the marketplaces on which the orders are executed.

For market makers or proprietary trading firms, retail orders are valuable because they are less risky to trade against. Retail orders are often smaller in size, tend to be on aggregate, non-directional, and may be perceived to be less informed. As a result, they may be profitable counterparties to trading strategies that seek to provide liquidity and/or capture the spread between the bid and offer.

For a dealer, part of the value of retail orders may also be linked to their desirability as a trade counterparty. In some jurisdictions, dealers often receive payment for their retail orders. Third-party firms will pay for the right to execute retail orders and then trade off-marketplace on a proprietary basis. These types of arrangements are not permitted within the Canadian rule framework.

Retail investors may also tend to demand immediacy of trade execution (i.e. employ market or marketable limit orders) more frequently than other types of clients. This may result in retail orders being more costly for a dealer to execute, particularly when executing trades on marketplaces that charge a fee for orders that remove liquidity from an order book (such as the standard "maker-taker" marketplace fee model[33]). As a result, dealers may seek ways to achieve best execution for retail orders while also minimizing associated costs.

Marketplaces also value retail orders in that attracting retail orders will also attract liquidity providing participants who are motivated to act as a counterparty to retail orders, which may result in increased trading volume, market share and revenue.

As a result of their value to a variety of market participants, a number of methods designed to segment retail orders, both explicitly and implicitly, have been proposed or introduced by Canadian marketplaces. The traditional maker-taker trading fee model has been modified in the form of an "inverted" maker-taker model, which pays a rebate to an order that removes liquidity from an order book and charges a fee for the execution of an order that provides liquidity. The inverted fee model is attractive to cost-sensitive retail dealers as well as to liquidity providers who are seeking to take the other side of retail orders, and who are willing to pay a fee to do so.

Dark marketplaces[34] in Canada have also been linked to considerations related to segmentation of orders and internalization for many years. As an example, in 2010, Alpha ATS LP proposed to introduce IntraSpread, a dark trading facility within Alpha ATS that sought approval to introduce a "Seek Dark Liquidity" (**SDL**) order that would trade only with undisplayed liquidity in IntraSpread, and only with orders from the same dealer.[35] This explicit internalization feature raised concerns on the part of staff of the Ontario Securities Commission (the principal regulator of Alpha ATS at the time) and certain respondents to the public comment process. While the proposal was subsequently revised,[36] the underlying rationale was to offer a facility that would allow providers of liquidity the opportunity to interact exclusively with retail orders in a manner that offered the retail client price improvement and offered retail dealers a means by which to more efficiently manage trading costs.

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33 The "maker-taker" marketplace fee model charges a fee for the execution of an order that removes liquidity from an order book and pays a rebate to the provider of liquidity for the same transaction.

34 A dark marketplace is a marketplace that does not publicly display orders on a pre-trade basis.

35 Published at: http://www.osc.gov.on.ca/documents/en/Marketplaces/ats_20100716_proposed-changes.pdf.

36 Published at: http://www.osc.gov.on.ca/en/Marketplaces_ats_20101214_rfc-intraspread.htm.

In addition, certain marketplaces have introduced order processing delays, or "speedbumps" that are designed to slow down the execution of certain orders. In some cases, these order processing delays are implicitly operationalized in a way to make the marketplace potentially less attractive to certain orders and trading strategies (such as those of institutional investors) and potentially more attractive to retail dealers and counterparties seeking to trade with retail orders.

Recognized exchanges in Canada have also employed other methods to segment retail orders. Programs associated with exchange market makers have been revised in a manner that, in certain circumstances, allows market makers to interact more exclusively with retail orders. These programs essentially provide an opportunity for the market maker to interact with "eligible" orders at the best available bid or offer, after all displayed liquidity on that marketplace has been traded against. An "eligible" order is narrowly defined such that it is essentially restricted to retail orders. A market maker is thus given the opportunity to exclusively interact with the remaining balance of a retail order that has traded with all available liquidity at the best bid or offer.

Segmentation is not only being facilitated by marketplaces. When developing systems to internalize orders such as those previously described, dealers may be specifically segmenting their own clients; targeting orders from their retail clients and excluding orders from other types of clients. Much of the recent concern about increasing levels of dealer internalization is premised on the view that systems are being employed to segment and internalize predominantly retail orders, leaving significantly less opportunity for the broader market to trade with retail clients and potentially resulting in inferior execution results for market participants in aggregate.

The continued trend towards segmentation of retail orders raises important questions, similar to those discussed in relation to internalization and more broadly in the context of the key attributes of a market.

Question 12: Do you believe segmentation of orders is a concern? Why, or why not? Do your views differ between order segmentation that is achieved by a dealer internalizing its own orders and order segmentation that is facilitated by marketplaces?

4.5 Internalization and the Retail Investor

The retail investor is inextricably linked to any discussion about internalization. In sections 4.1 through 4.3 of this Consultation Paper, we have highlighted specific issues related to dealer systems that blur the lines between dealer and marketplace activities, as well as concerns about the fairness of broker preferencing. Further, we frame a "bigger picture" issue in the context of the "individual good" versus the "common good" of the entire market. While orders from a variety of market participants can be internalized using various means, the focus of recent concerns is predominantly in relation to the orders of retail investors.

Discussions about the treatment of retail orders are not new. Many of the market structure issues that CSA staff, IIROC staff and the industry as a whole have considered in recent years are in some way related to retail orders. As has been described, the execution of retail orders was an important element in the development of the framework for dark liquidity, changes to the order protection rule, as well as various marketplace proposals related to fees, order processing delays and market making facilities. It was also the direct focus of a CSA publication in 2014 that articulated concerns related to the routing of retail orders to the United States for execution.[37] In that publication, the CSA stated "*retail orders are an important part of the Canadian market ecosystem, and the CSA continue to support the existing rule framework, which emphasizes the importance of these orders to the quality of the Canadian equity market, including the price discovery process*". We further articulated our public interest concerns in stating "*the CSA are concerned that widespread routing of retail order flow to U.S. dealers will negatively impact the quality of the Canadian market, and may affect the quality of execution achieved for investors*." These same issues continue to be relevant in the context of this Consultation Paper on internalization.

It is clear that retail orders have value to a variety of market participants, and a great deal of resources have been expended by various industry stakeholders to create ways to extract this value to the benefit of some, but not necessarily all. In the context of the issues around internalization, we are considering whether and how our rule framework can directly address the questions and issues associated with the execution of retail orders in a manner that both protects the interests of retail investors, and ensures that the Canadian equity market continues to bring together all types of participants in a transparent and efficient manner.

Question 13: Do you believe that Canadian market structure and the existing rule framework provides for optimal execution outcomes for retail orders? Why or why not?

[37] Published at: http://www.osc.gov.on.ca/en/NewsEvents_nr_20141215_concerns-routing-retail-equity-orders.htm.

Question 14: Should the CSA and IIROC consider changes to the rule framework to address considerations related to orders from retail investors? If yes, please provide your views on the specific considerations that could be addressed and proposed solutions.

Part 5 – Other Related Issues

There are also several elements of Canadian market structure that are related to internalization but that we have either not explored in detail in this Consultation Paper, and/or are not in scope when considering potential policy approaches to the issues.

5.1 Block Trades

As has been discussed, internalization can refer to different types of trading activities, and may occur through a variety of means. One method is through the execution of an intentional cross, where a dealer may work to find the counterparty to a client order or commit its capital and assume the risk of acting as the trade counterparty on a principal basis. Commonly referred to as the "upstairs market", withholding larger orders from immediate entry to a marketplace is a long-standing practice in the Canadian market. Although these trades may ultimately be internalized, and potentially to the exclusion of orders from other marketplace participants, we do not intend to consider policy changes in this regard as we believe such activities to be potentially integral to both the execution of large investor orders and efficient functioning of the Canadian market.

5.2 Dark Liquidity

The Canadian rule framework for dark liquidity was implemented in 2012 as a joint initiative between the CSA and IIROC, with the goal of balancing the use of undisplayed orders and supporting the price discovery process. The key elements of the framework are the prioritization of displayed orders ahead of undisplayed orders at the same price on the same marketplace, and the provision of meaningful price improvement for small orders that execute with undisplayed orders. Section 4.4 of this Consultation Report briefly describes the historical link between the use of dark liquidity and segmentation of orders.

While we will consider potential approaches to address the execution of retail orders, we continue to believe that the dark liquidity framework strikes an appropriate balance that protects the price discovery process while recognizing that dark liquidity serves an important purpose in the execution of certain trading strategies and is a consideration in seeking best execution of client orders. We do not intend to consider revising the dark liquidity framework at this time.

5.3 Trading Fee Models

We have described the link between trading fee models and internalization, and that trading fee models are a tool used by marketplaces to attract and/or segment orders, including retail orders. While trading fee models are an important part of the internalization discussion, at this time we do not intend to consider changes that might impact the trading fee models currently employed by Canadian marketplaces. In addition, on December 18, 2018, the CSA published for comment a proposed pilot study that would examine the impact of limiting or prohibiting the payment of rebates by marketplaces.[38]

Question 15: Are there other relevant areas that should be considered in the scope of our review?

Part 6 – Next Steps

This Consultation Paper seeks feedback on a variety of matters related to internalization. As we recognize the importance of the issue, we must also ensure that all stakeholders are given an opportunity to provide input, and that all feedback is considered in our ongoing policy discussions. For this reason, this Consultation Paper does not reach conclusions or propose next steps. We will consider all feedback received and determine next steps at the end of this consultation phase.

Comments and submissions

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 **Monday, May 13, 2019.**

Please submit your comments in writing on or before **May 13, 2019**. If you are not sending your comments by email, please send a CD containing the submissions (in Microsoft Word format).

[38] Published at: http://www.osc.gov.on.ca/documents/en/Securities-Category2/csa_20181218_23-323_trading-fee-rebate-pilot-study.pdf.

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

Part 7 – Questions

Please refer your questions to any of the following:

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Serge Boisvert Analyste en réglementation Direction des bourses et des OAR Autorité des marchés financiers serge.boisvert@lautorite.qc.ca	Lucie Prince Analyste Direction des bourses et des OAR Autorité des marchés financiers lucie.prince@lautorite.qc.ca
Sasha Cekerevac Regulatory Analyst, Market Regulation Alberta Securities Commission sasha.cekerevac@asc.ca	Bruce Sinclair Securities Market Specialist British Columbia Securities Commission bsinclair@bcsc.bc.ca
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Appendix A

Quantitative Analysis of Internalization on Canadian Marketplaces

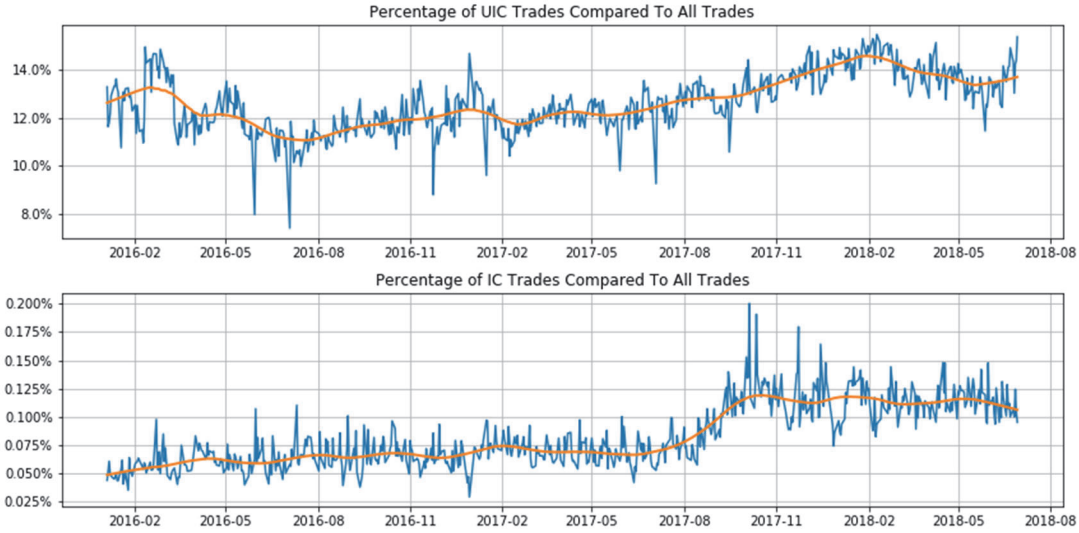
This appendix looks quantitatively at trading activity and features associated with the internalization of orders.

Part 1 of this appendix provides data with respect to the occurrences of intentional and unintentional crosses on all Canadian marketplaces for the period of January 2016 to June 2018 and relies on data received by IIROC through the Market Regulation Feed submitted by each marketplace.

Part 2 of this appendix looks at the magnitude of broker preferencing. The data used for this section only includes the data provided by those marketplaces that are able to accurately track trades resulting from orders that do not follow time priority as a result of broker preferencing, and covers the period of January 2017 to July 2018.

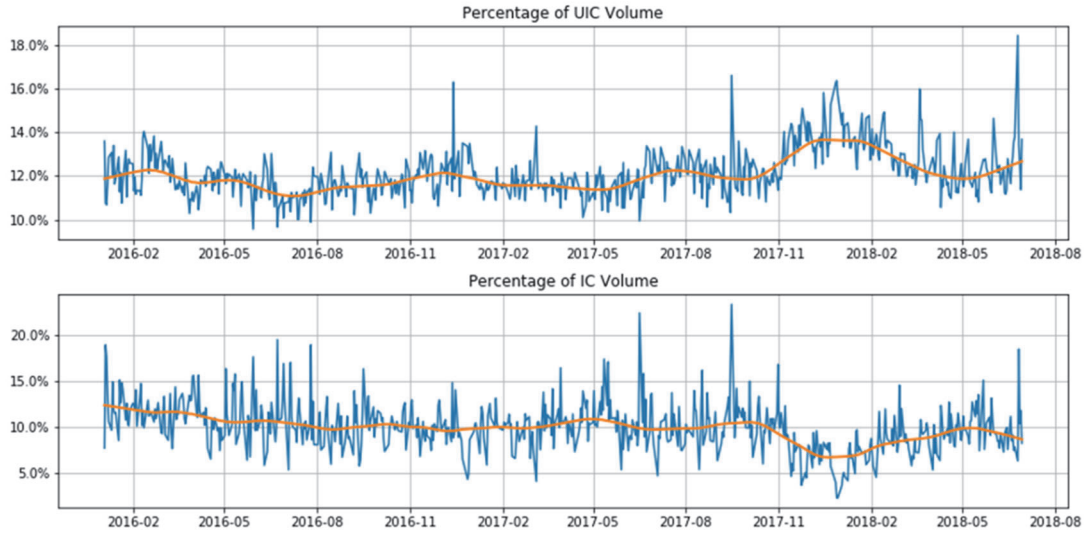
Part 1

Fig. 1 – Percentage of Total Trades Executed as Unintentional (UIC) or Intentional (IC) Crosses



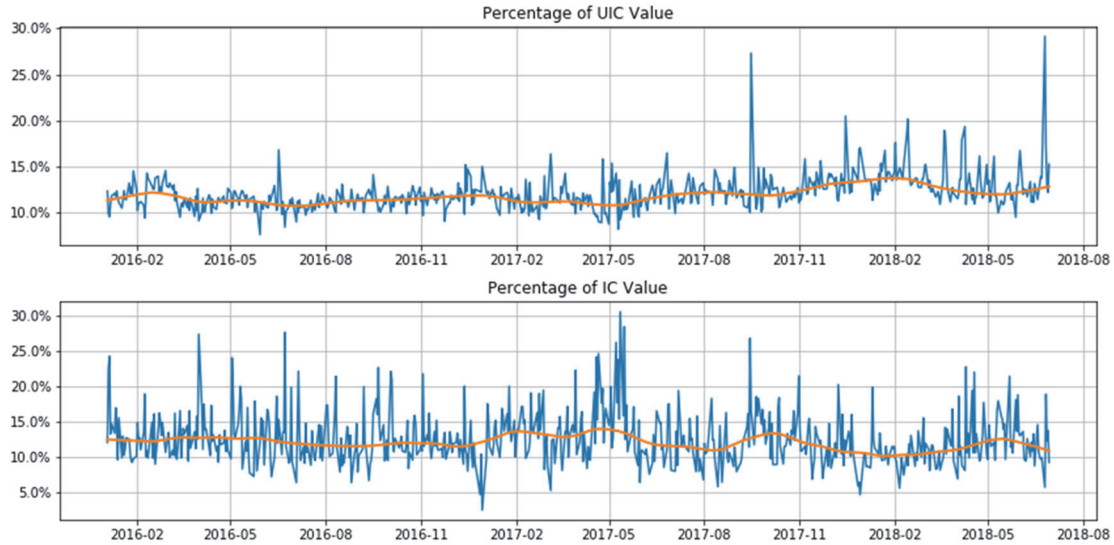
This figure shows overall crosses as a percentage of total number of trades. The upper chart shows unintentional crosses and the lower chart shows intentional crosses. Table 1 provides a summary of the averages and the percentage change over the period.

Fig. 2 – Percentage of Total Volume Executed as Unintentional or Intentional Crosses



This figure shows overall crosses as a percentage of total volume traded. The upper chart shows unintentional crosses and the lower chart shows intentional crosses. Table 1 provides a summary of the averages and the percentage change over the period.

Fig. 3 – Percentage of Total Value Executed as Unintentional or Intentional Crosses



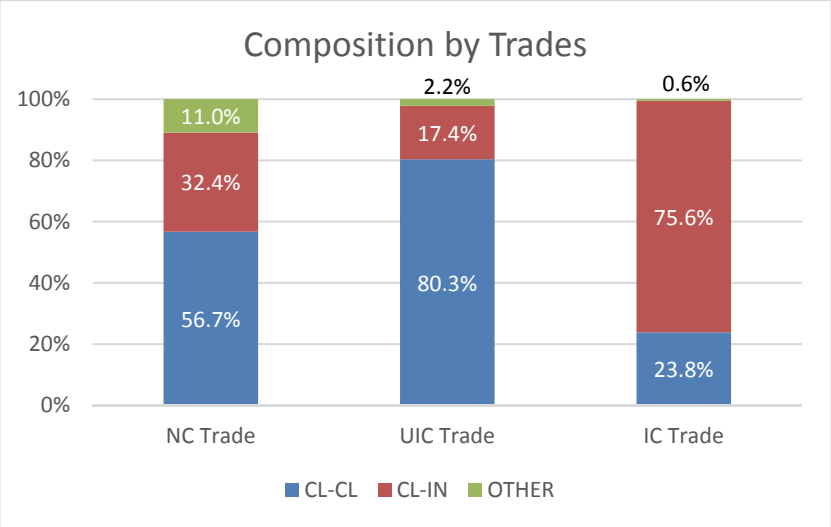
This figure shows overall crosses as a percentage of total value traded. The upper chart shows unintentional crosses and the lower chart shows intentional crosses. Table 1 provides a summary of the averages and the percentage change over the period.

Table 1 – Six-month Averages of Unintentional and Intentional Crosses

	2016 Period1	2016 Period2	2017 Period3	2017 Period4	2018 Period5		Change Over Periods 1-5
	Jan-June	July-Dec	Jan-June	July-Dec	Jan-June	Net Change	% Change
Unintentional by Trade	12.27%	11.64%	12.07%	13.12%	13.91%	1.64%	13.41%
Unintentional by Volume	11.85%	11.70%	11.58%	12.62%	12.75%	0.90%	7.60%
Unintentional by Value	11.44%	11.39%	11.48%	12.65%	13.40%	1.96%	17.13%
Intentional by Trade	0.06%	0.07%	0.07%	0.10%	0.11%	0.06%	94.52%
Intentional by Volume	11.53%	10.03%	10.46%	9.41%	8.87%	-2.66%	-23.09%
Intentional by Value	13.18%	12.13%	13.82%	12.09%	11.67%	-1.51%	-11.46%

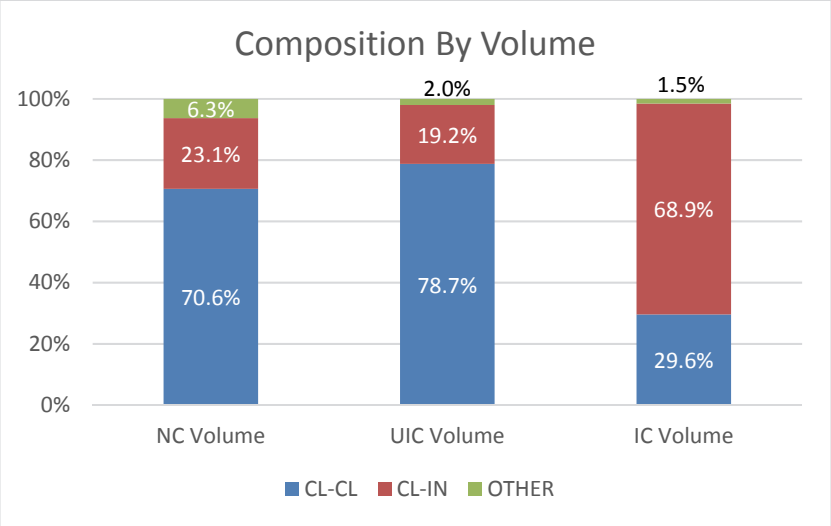
Table 1 shows the average percentages of total trade executions executed as intentional and unintentional crosses by number of trade, total volume and value averaged over a six-month period. Net change is calculated by comparing period 1 (Jan-June 2016) to period 5 (Jan-June 2018). Change over periods 1-5 is the net change as a percentage of the period 1 percentage. Net change and percent change may not be exact due to rounding.

Fig. 4 – Cross Trades by Account Type – Compared Against Non-cross (NC) Trades



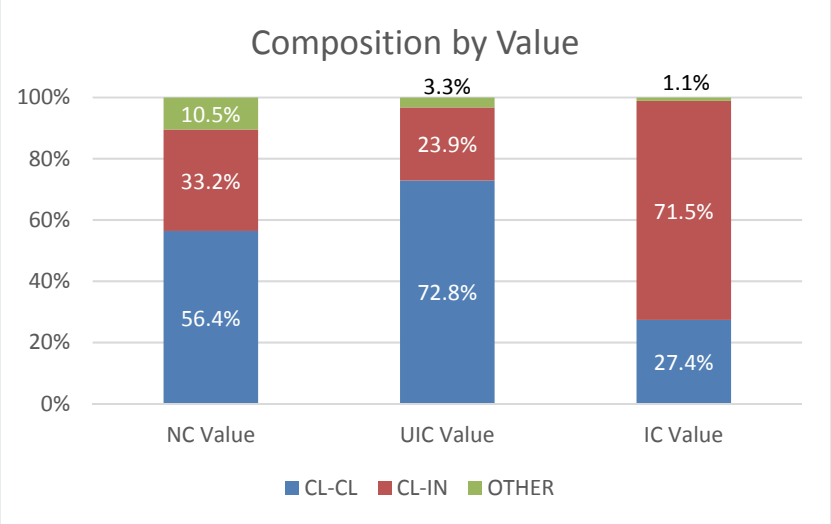
This figure shows the percentage of intentional and unintentional crosses by number of trades and client types. Client types of non-cross trades is provided for comparison purposes. "OTHER" refers to any trade involving an account type marker that is not CL-CL or CL-IN.

Fig. 5 – Cross Volume by Account Type – Compared Against Non-cross Volume



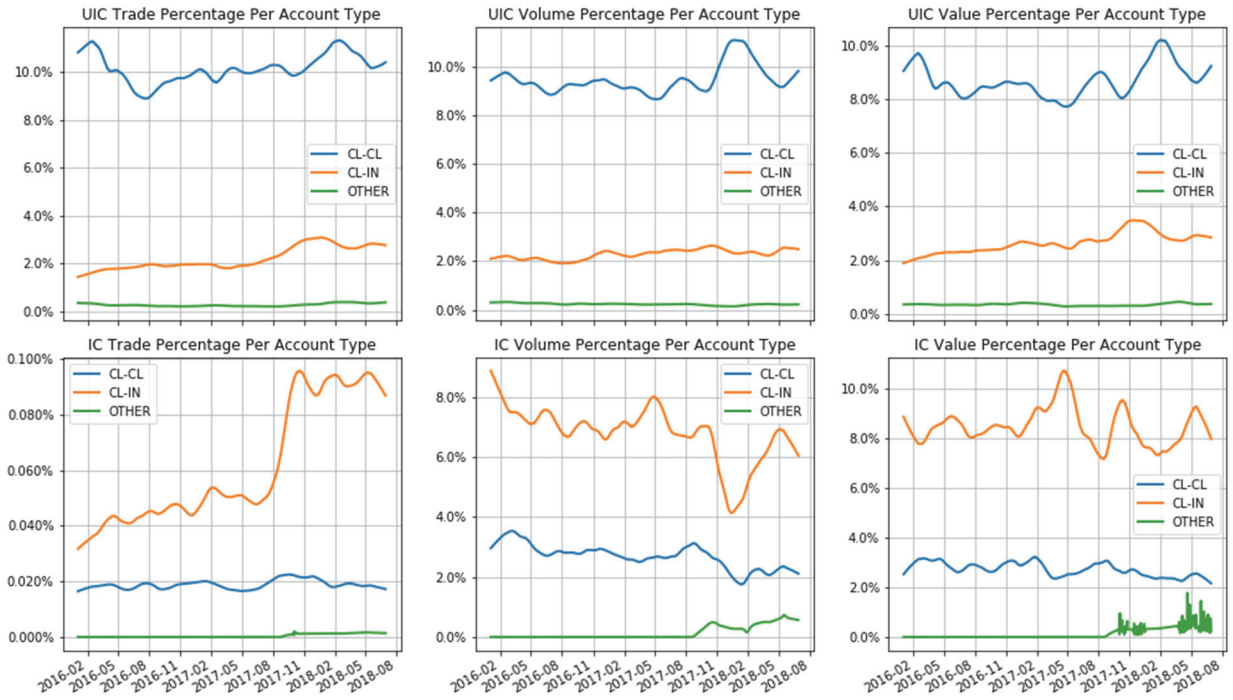
This figure shows the percentage of intentional and unintentional crosses by volume and client types. Client types of non-cross trades is provided for comparison purposes.

Fig. 6 – Cross Value by Account Type – Compared Against Non-cross Value



This figure shows the percentage of intentional and unintentional crosses by value traded and client types. Client types of non-cross trades is provided for comparison purposes.

Fig. 7 – Crosses by Account Type



This figure shows the change over the period by number of trades, total volume traded and total value traded by client type. The percentages are measured against the total trading that occurred on all marketplaces.

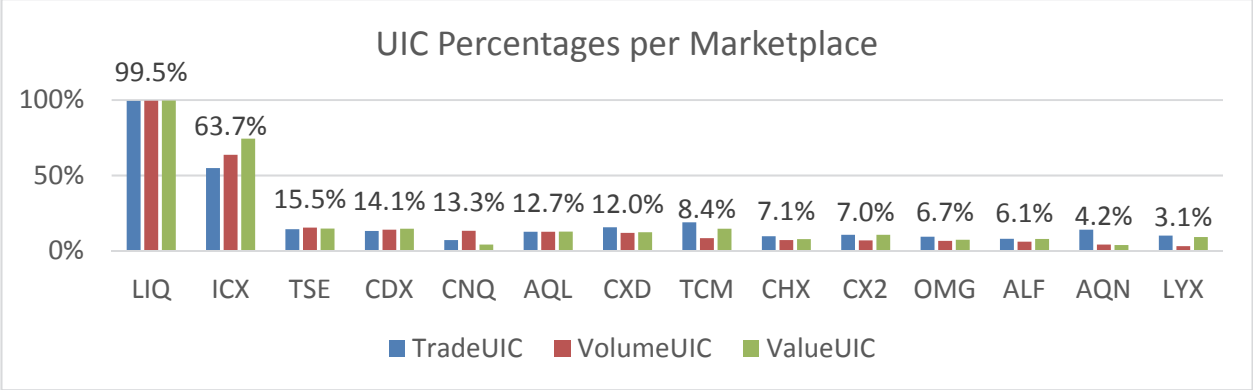
Table 2 – Cross by Account Types – 6-month Averages

		2016 Period 1	**2016 Period 2**	**2017 Period 3**	**2017 Period 4**	**2018 Period 5**		**Change Over Periods 1-5**
		Jan-June	**July-Dec**	**Jan-June**	**July-Dec**	**Jan-June**	**Net Change**	**% Change**
Unintentional by Trade	CL-CL	10.25%	9.47%	9.89%	10.13%	10.72%	0.47%	4.60%
Unintentional by Trade	CL-IN	1.73%	1.95%	1.95%	2.74%	2.81%	1.08%	62.40%
Unintentional by Trade	OTHER	0.29%	0.23%	0.24%	0.25%	0.39%	0.10%	33.90%
Unintentional by Value	CL-CL	8.80%	8.46%	8.22%	8.79%	9.95%	1.14%	13.00%
Unintentional by Value	CL-IN	2.25%	2.53%	2.91%	3.51%	3.00%	0.75%	33.50%
Unintentional by Value	OTHER	0.39%	0.40%	0.36%	0.35%	0.45%	0.06%	16.20%
Unintentional by Volume	CL-CL	9.37%	9.31%	8.97%	9.83%	10.12%	0.75%	8.00%
Unintentional by Volume	CL-IN	2.18%	2.14%	2.38%	2.58%	2.40%	0.22%	10.10%
Unintentional by Volume	OTHER	0.30%	0.25%	0.23%	0.21%	0.23%	-0.07%	-23.30%
Intentional by Trade	CL-CL	0.02%	0.02%	0.02%	0.02%	0.02%	0.00%	2.60%

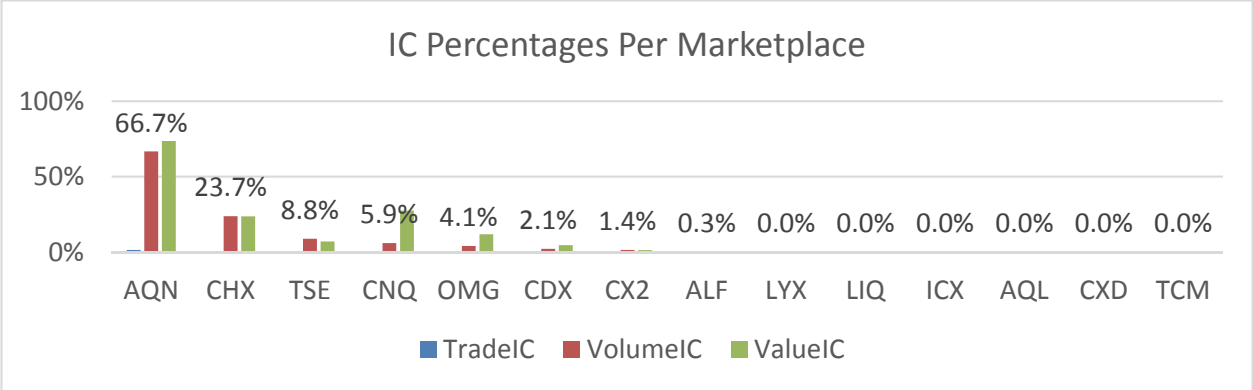
		2016 Period 1	2016 Period 2	2017 Period 3	2017 Period 4	2018 Period 5		Change Over Periods 1-5
Intentional by Trade	CL-IN	0.04%	0.05%	0.05%	0.08%	0.09%	0.05%	132.90%
Intentional by Trade	OTHER	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	NA
Intentional by Value	CL-CL	4.13%	3.75%	3.56%	3.23%	2.56%	-1.58%	-38.10%
Intentional by Value	CL-IN	9.04%	8.38%	10.26%	8.65%	8.64%	-0.40%	-4.50%
Intentional by Value	OTHER	0.00%	0.00%	0.00%	0.20%	0.47%	0.47%	NA
Intentional by Volume	CL-CL	3.54%	3.16%	2.96%	2.94%	2.24%	-1.30%	-36.80%
Intentional by Volume	CL-IN	7.99%	6.86%	7.50%	6.24%	6.16%	-1.83%	-22.90%
Intentional by Volume	OTHER	0.00%	0.00%	0.00%	0.23%	0.48%	0.47%	NA

Table 2 shows the average percentages of intentional and unintentional crosses by client type and number of trades, total volume and value averaged over a six-month period. Net change is calculated by comparing periods 1 (Jan-June 2016) to period 5 (Jan-June 2018). Change over periods 1-5 is the net change as a percentage of the period 1 percentage. Net change and percent change may not be exact due to rounding.

Fig. 8 – Cross Percentage by Marketplace[39] – Relative to Own Trading

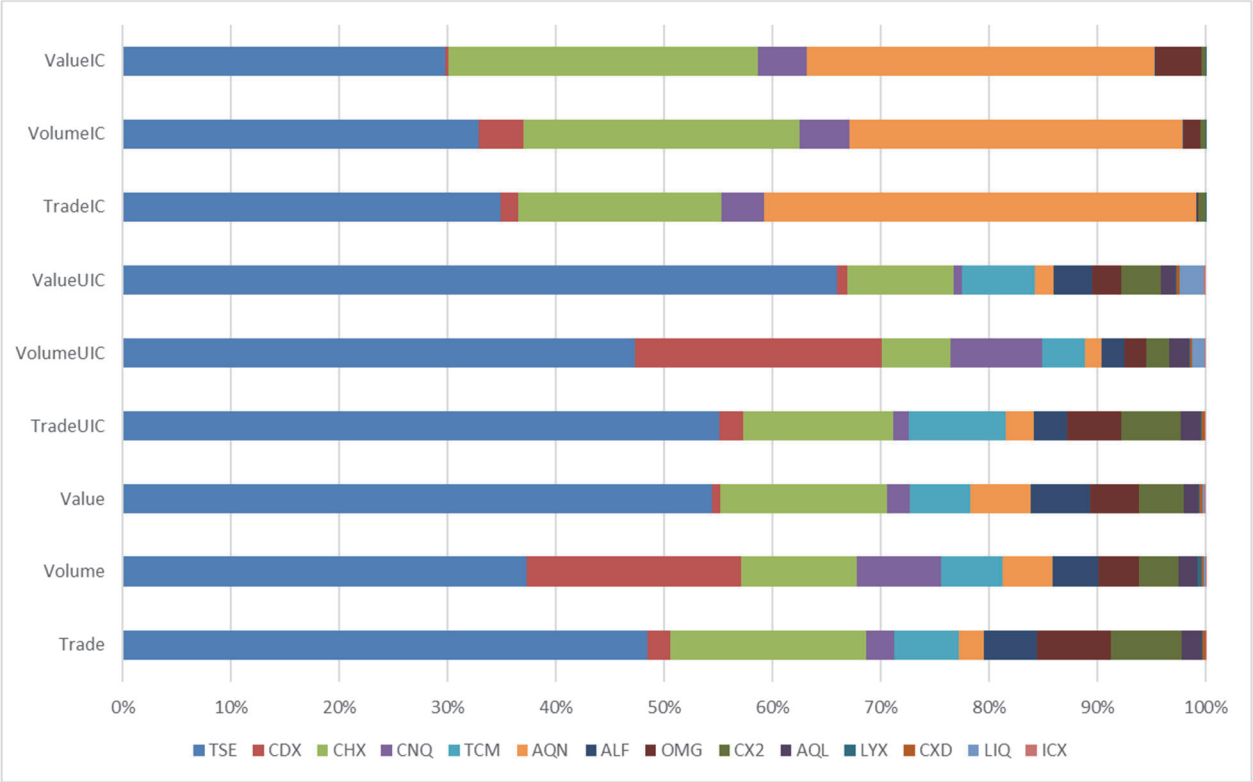


[39] Marketplaces are represented by the following abbreviations: AQN – Aequitas Neo, CHX – Nasdaq CXC, TSE – TSX, CNQ – Canadian Securities Exchange, OMG – Omega, CDX – TSX Venture, CX2 – Nasdaq CX2, ALF – Alpha, LYX – Lynx, LIQ – Liquidnet Canada, ICX – Instinet Canada Cross, AQL – Aequitas Lit, CXD – Nasdaq CXD, TCM – MATCHNow.



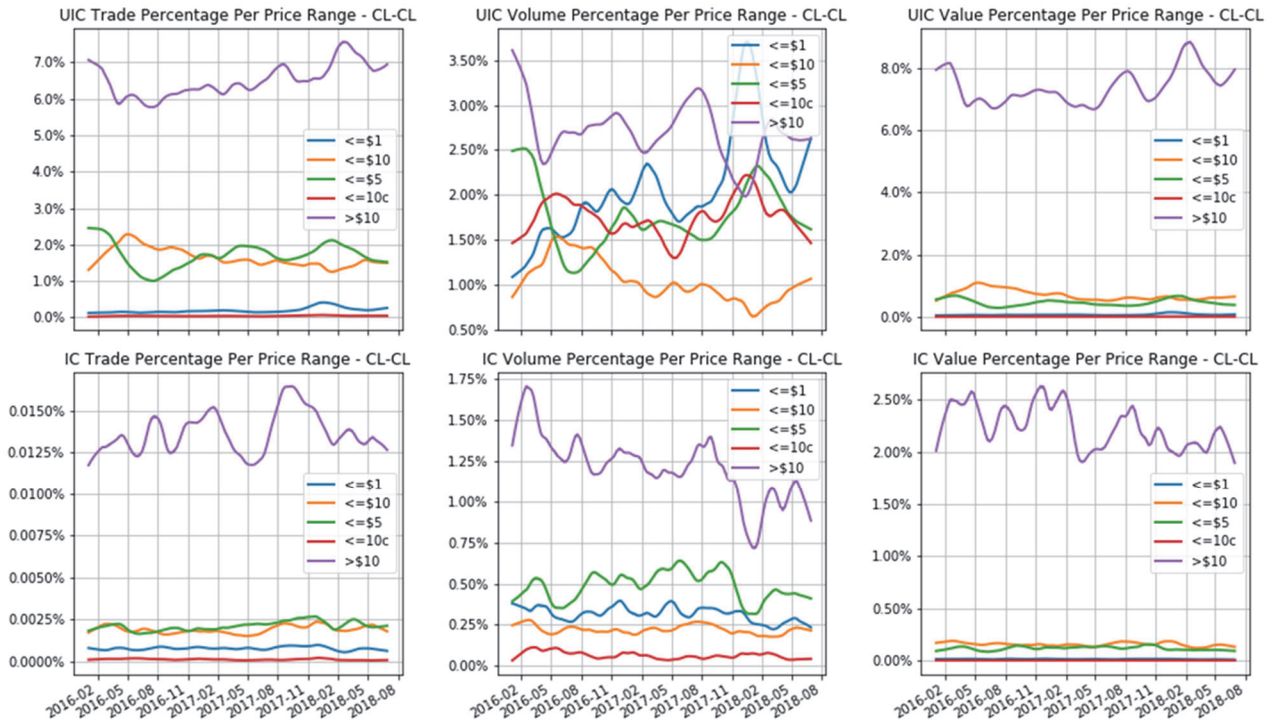
This figure shows the percentage of intentional and unintentional crosses by total trades, total volume and total value measured against each marketplace's own trading. Percentages displayed above the bars correspond to volume.

Fig. 9 – Contribution by Marketplace



This figure shows the percentage contribution by each marketplace against the total traded by all marketplaces. For comparison purposes, total (including cross and non-cross activity) number of trades, volume and value has been included.

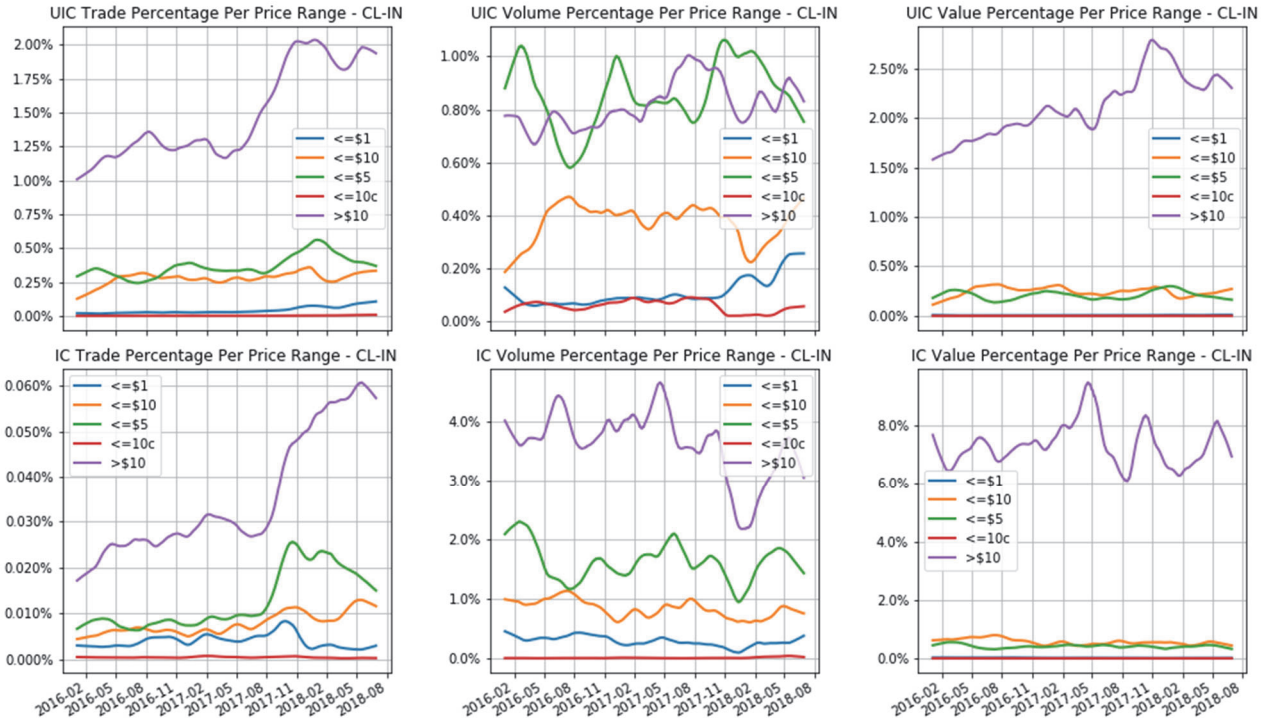
Fig. 10 – CL-CL Crosses by Security Price[40]



This figure shows a breakdown of intentional and unintentional client-client crosses as a percentage of total trading activity over the period by security price. 5 buckets are used: <=.10, <=$1, <=$5, <=$10, >$10.

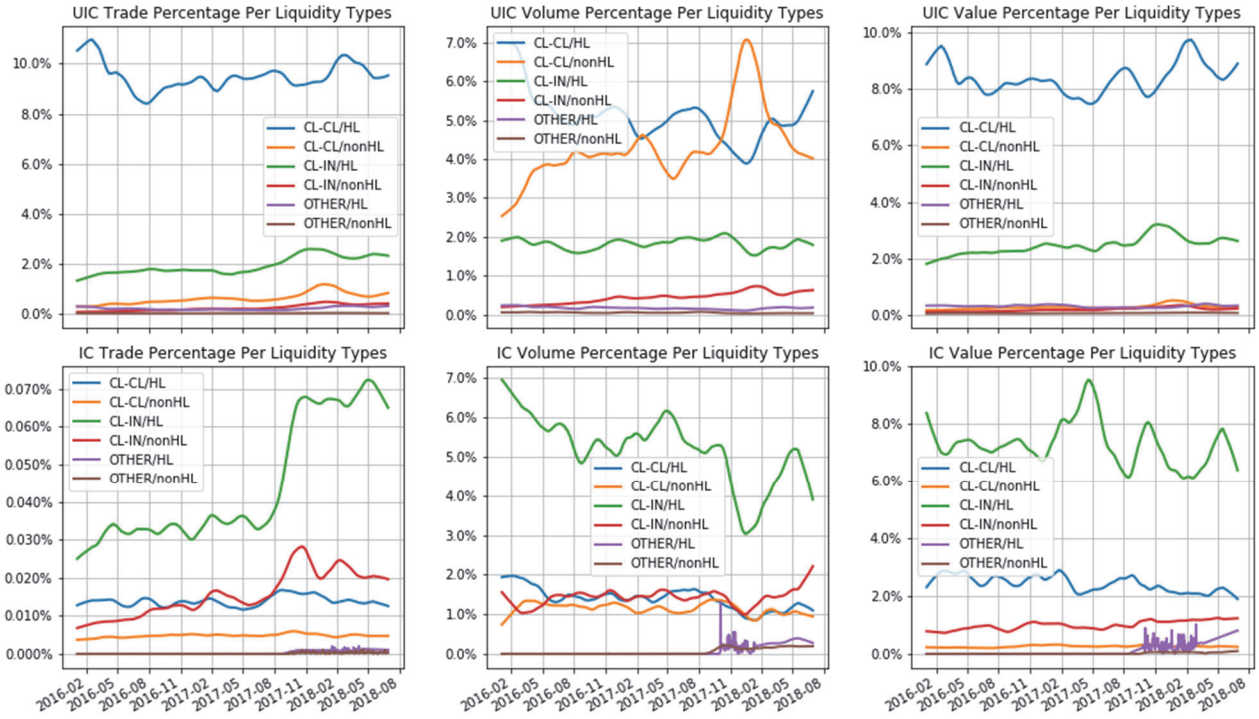
[40] For Fig. 10 and Fig. 11, <=$1 means >.10 and <$1, <=$5 means >$1 and <=$5, <=$10 means >$5 and <=$10

Fig. 11 – CL-IN Crosses by Security Price



This figure shows a breakdown of intentional and unintentional client-inventory crosses as a percentage of total trading activity over the period by security price. 5 buckets are used: <=.10, <=$1, <=$5, <=$10, >$10.

Fig. 12 –Crosses by Liquidity



This figure shows a breakdown of intentional and unintentional crosses as a percentage of total trading activity by client type over the period by liquidity. For the calculation of liquidity, the IIROC highly-liquid security list was used. A highly-liquid security is defined as a listed or quoted security that:

- has traded, in total, on one or more marketplaces as reported on a consolidated market display during a 60-day period ending not earlier than 10 days prior to the commencement of the restricted period:
    - an average of at least 100 times per trading day, and
    - with an average trading value of at least $1,000,000 per trading day;

  or

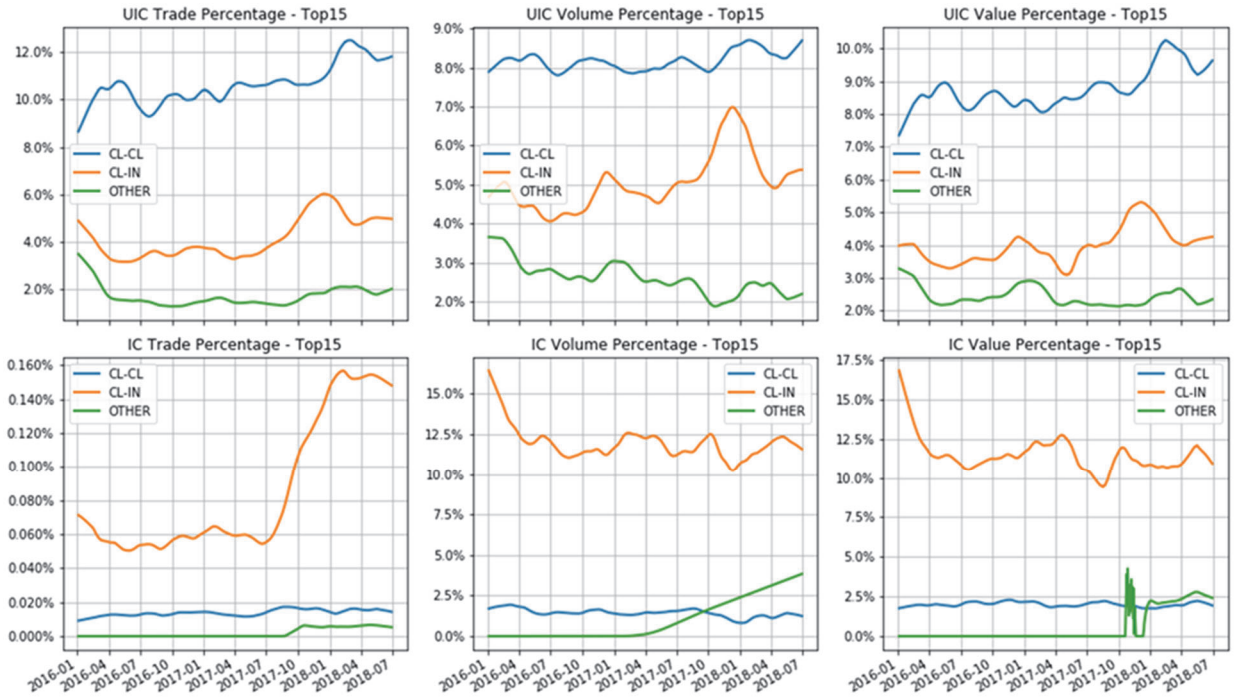
- is subject to Reg. M and is considered to be an “actively-traded security” under that regulation.

Table 3 – Contribution by Top 15 Dealers

Total Value	87.70%
Total Volume	84.20%
Total Trades	87.90%
Intentional Crosses – Value	83.30%
Intentional Crosses – Volume	74.60%
Intentional Crosses – Trades	75.00%
Unintentional Crosses – Value	94.40%
Unintentional Crosses – Volume	94.40%
Unintentional Crosses – Trades	98.60%

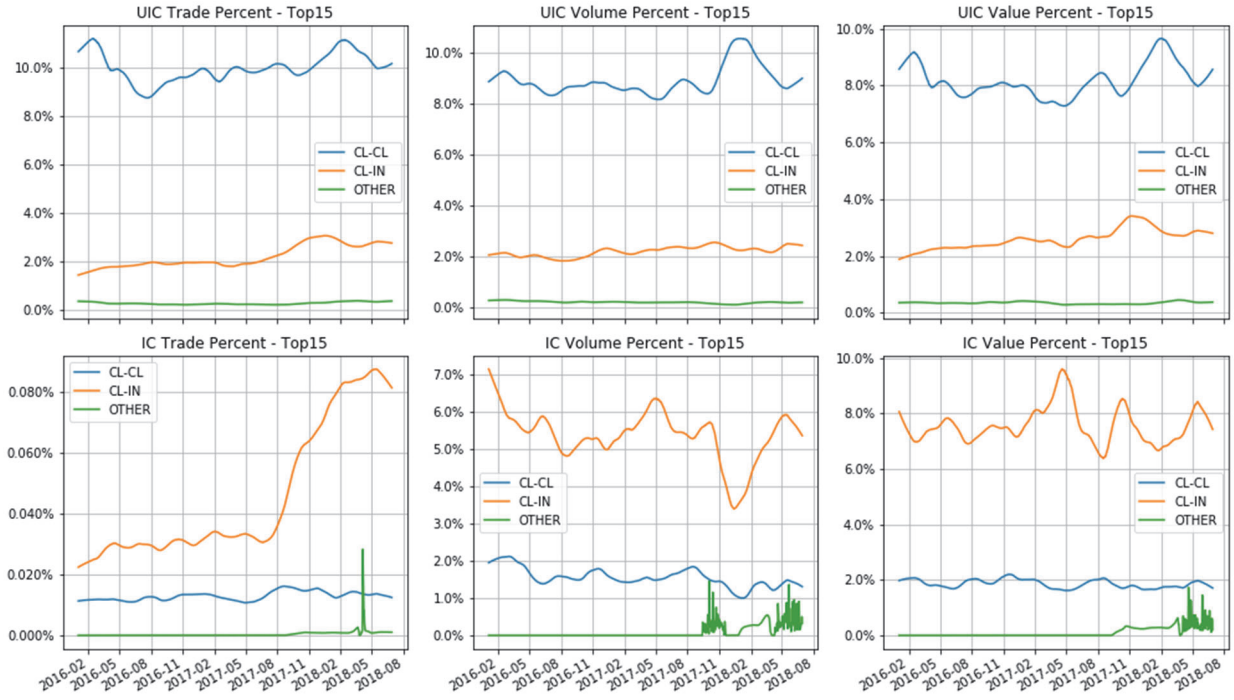
Table 3 aggregates the activity of the top 15 dealers as measured by trading activity. Percentages reflect the aggregate contribution over the period. For comparison purposes, total (including cross and non-cross trades) number of trades, volume and value have been included.

Fig. 13 – Top 15 Dealers – Crosses – Percentage of Own Trading



This figure shows the percentage of intentional and unintentional crosses by client type of the top 15 dealers as compared against the total trading activity of the same top 15 dealers on all marketplaces.

Fig. 14 – Top 15 Dealers – Crosses – Percentage of Total Trading



This figure shows the percentage of intentional and unintentional crosses by client type of the top 15 dealers as compared against the total trading activity of all dealers on all marketplaces.

Part 2

Certain marketplaces can capture executions that result from broker preferencing (i.e. when an order does not follow time priority and executes with another order from the same dealer). Data from these marketplaces is set out below for the period of January 2017 to July 2018. Figures 1 through 3 represent the number of trade executions resulting from broker preferencing (by volume, value and number of trades) aggregated across all marketplaces that are able to provide relevant data. Figures 4 through 6 represent the same information, but shown as a percentage of aggregate volume, value and number of trades (across all marketplaces that are able to provide relevant data).

Fig. 1 – Broker Preferenced Trade Executions by Number of Trades

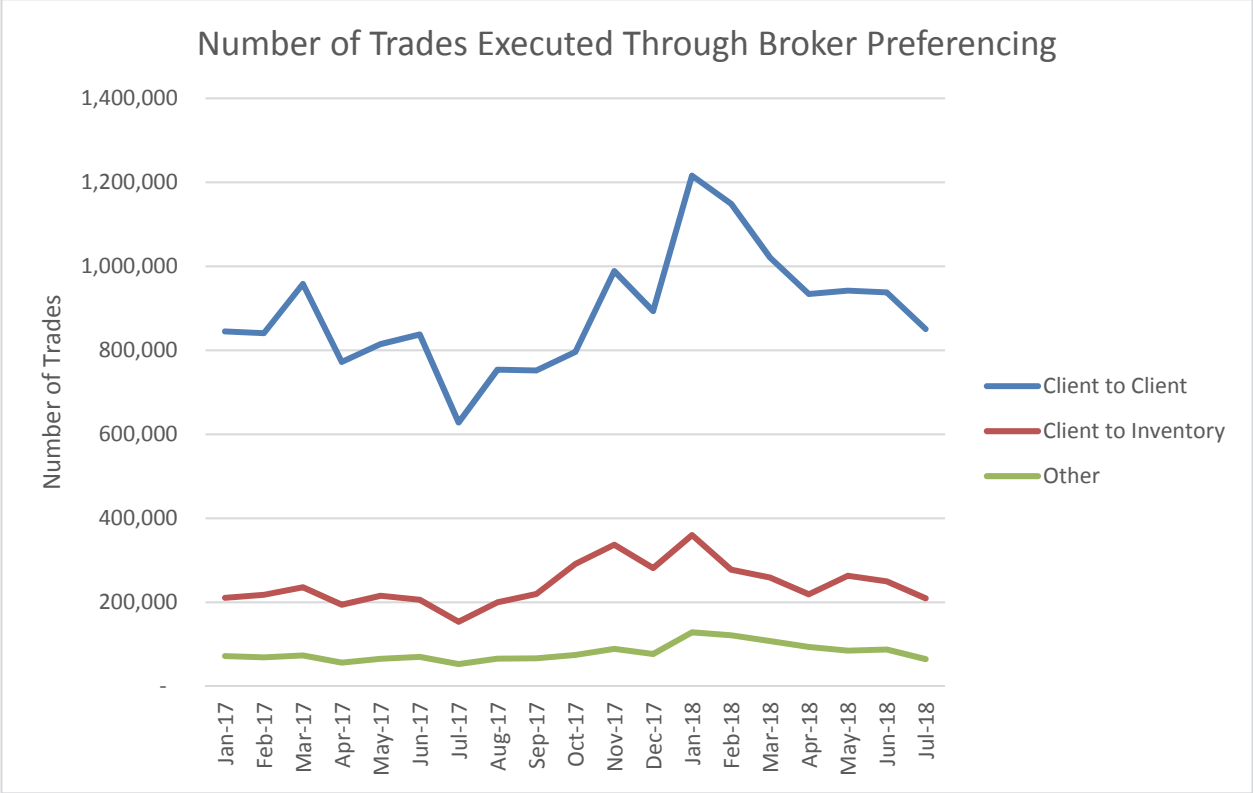


Fig. 2 – Broker Preferenced Trade Executions by Volume

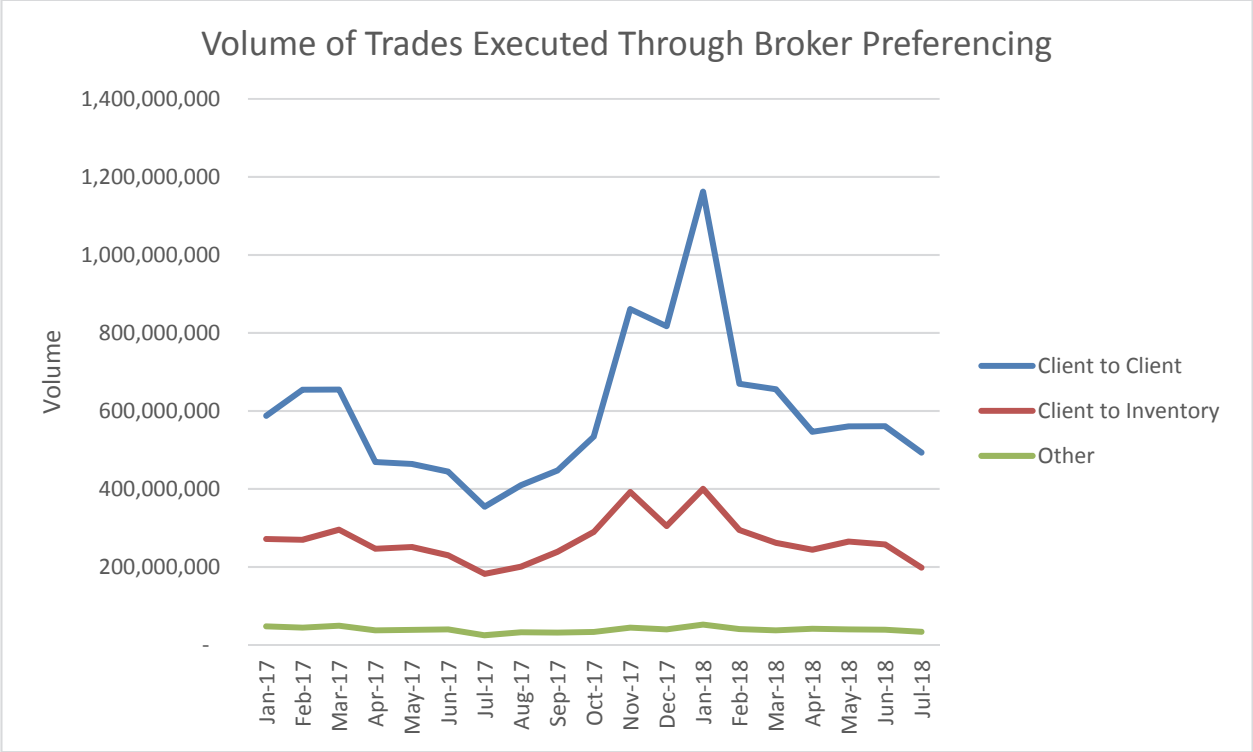


Fig. 3 – Broker Preferenced Trade Executions by Value

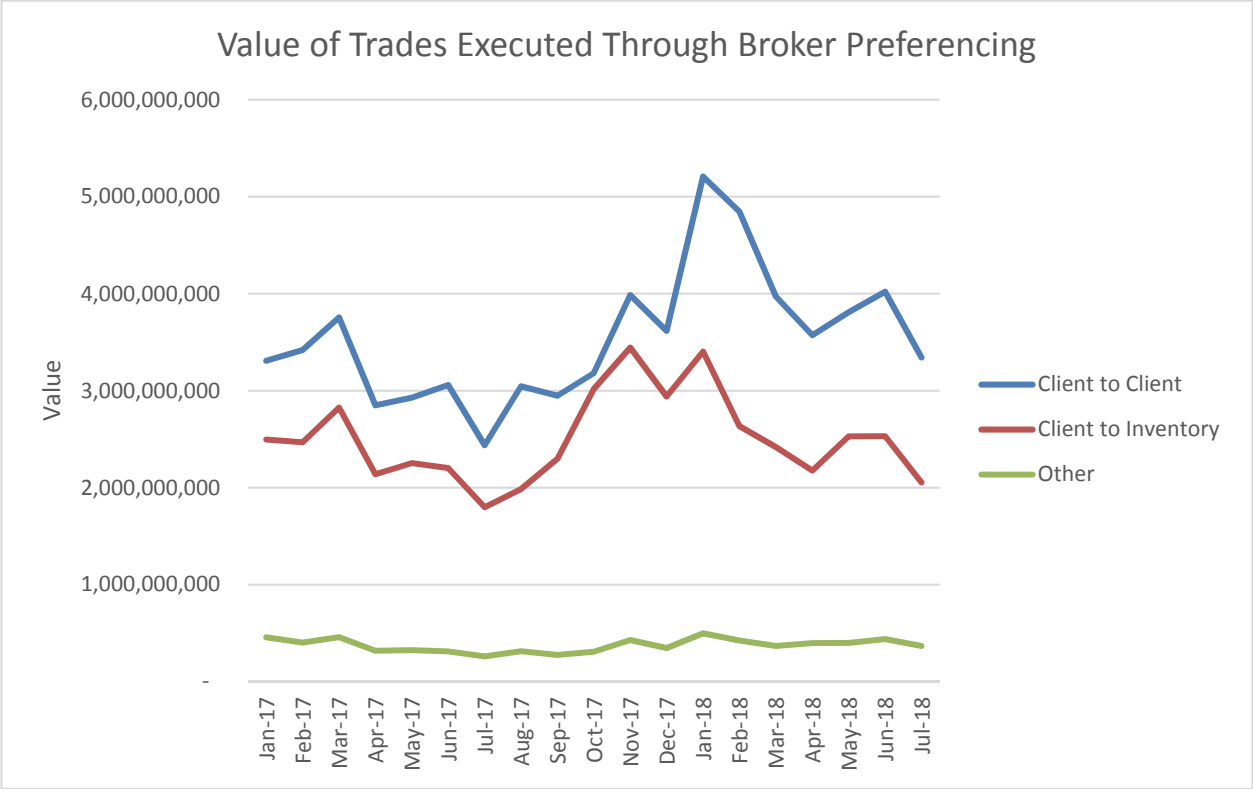


Fig. 4 –Broker Preferenced Trades as a Percentage of Aggregate Number of Trades

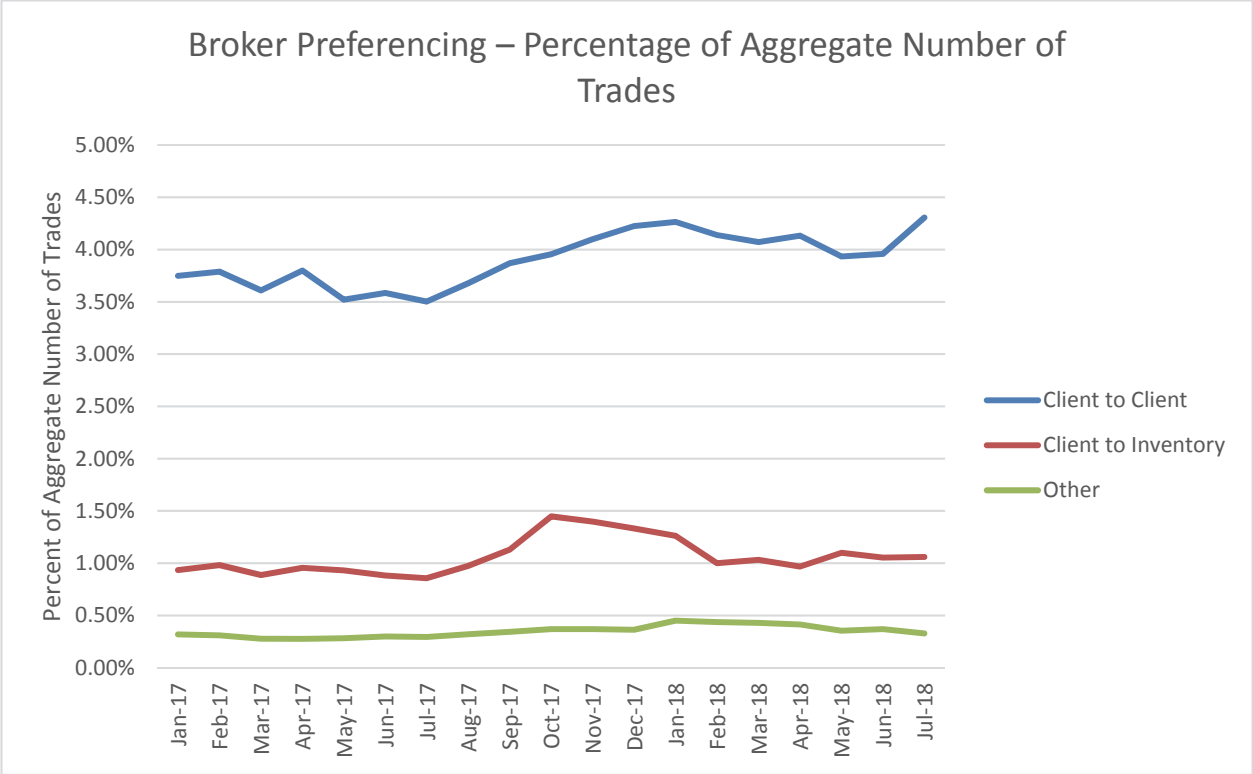


Fig. 5 – Broker Preferenced Trades as a Percentage of Aggregate Volume Traded

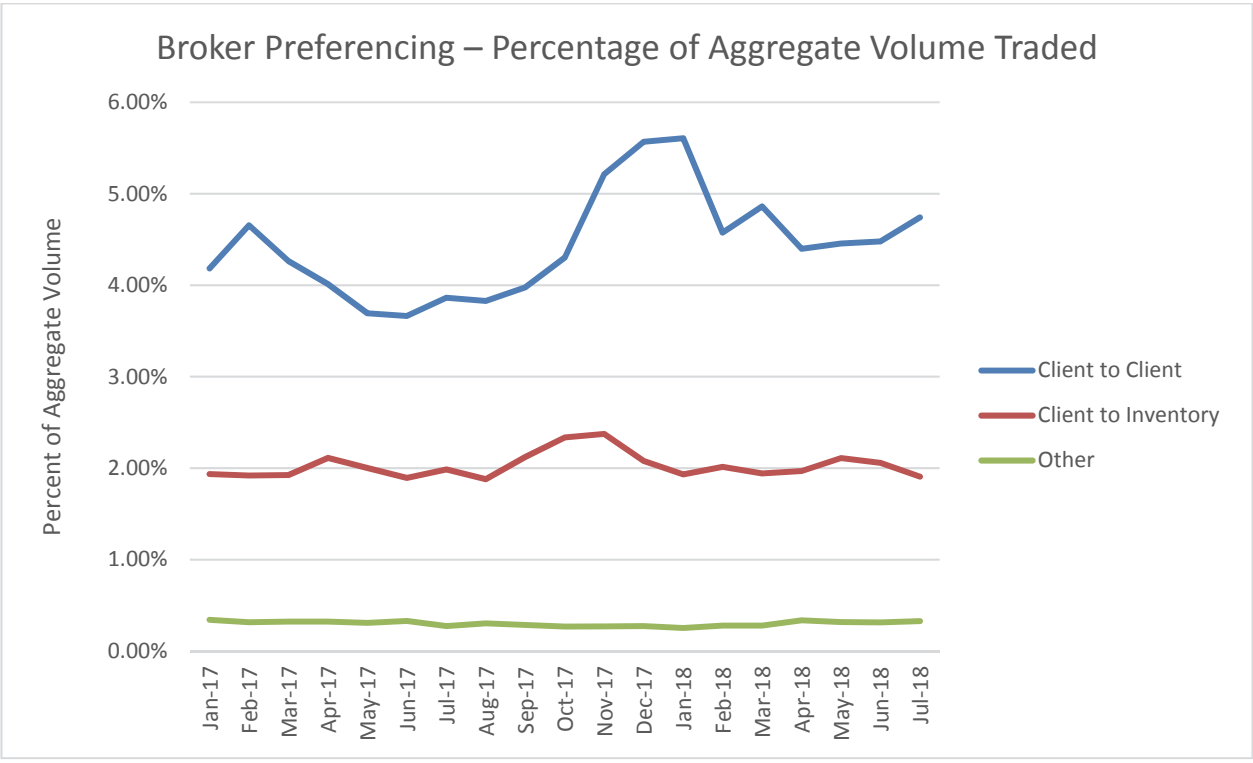
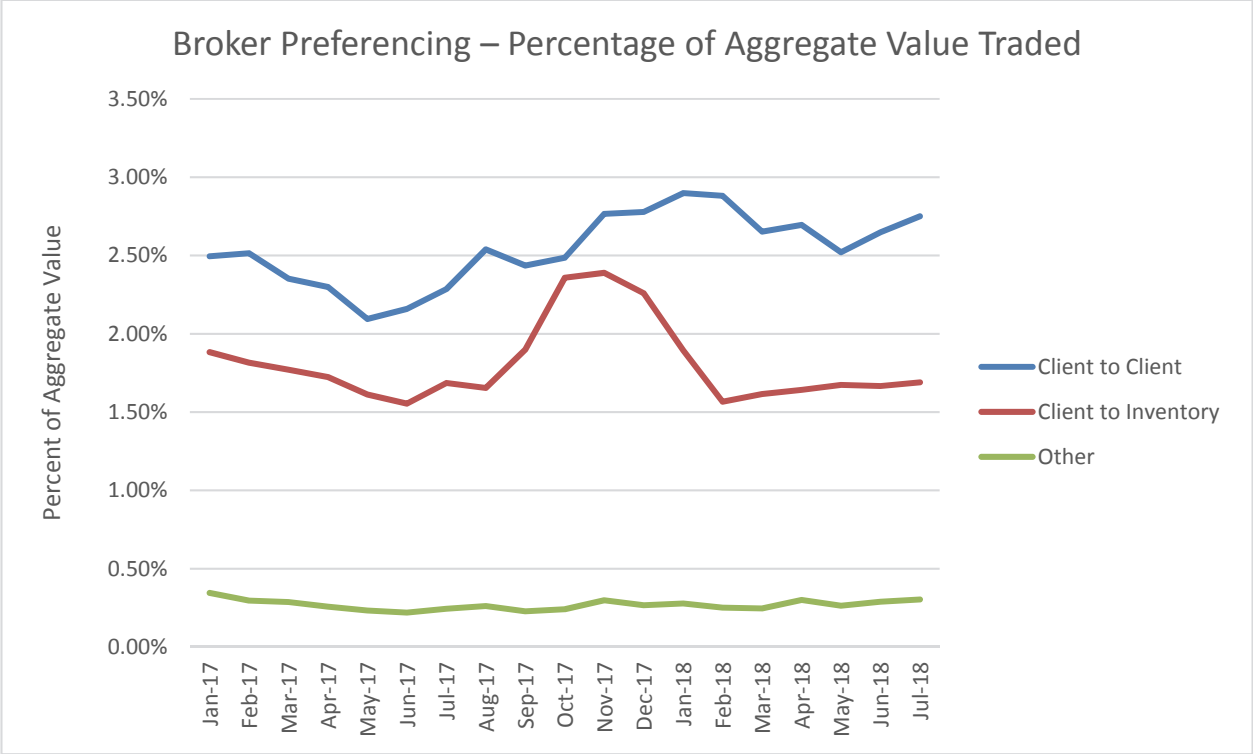


Fig. 6 – Broker Preferenced Trades as a Percentage of Aggregate Value Traded



6.1.2 CSA Second Notice and Request for Comment – Proposed Amendments to National Instrument 45-106 Prospectus Exemptions and National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations relating to Syndicated Mortgages and Proposed Changes to Companion Policy 45-106CP Prospectus Exemptions and Companion Policy 31-103CP Registration Requirements, Exemptions and Ongoing Registrant Obligations

CSA/ACVM Canadian Securities Administrators Autorités canadiennes en valeurs mobilières

CSA Second Notice and Request for Comment

Proposed Amendments to
National Instrument 45-106 *Prospectus Exemptions* and
National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* relating to Syndicated Mortgages
and
Proposed Changes to
Companion Policy 45-106CP *Prospectus Exemptions* and
Companion Policy 31-103CP *Registration Requirements, Exemptions and Ongoing Registrant Obligations*

March 15, 2019

Introduction

On March 8, 2018, the Canadian Securities Administrators (the **CSA** or **we**) published for comment proposed amendments to National Instrument 45-106 *Prospectus Exemptions* (**NI 45-106**) and National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**NI 31-103**) and proposed changes to Companion Policy 45-106CP *Prospectus Exemptions* (**45-106CP**) relating to syndicated mortgages (collectively, the **March 2018 Proposal**).

The March 2018 Proposal included changes to certain prospectus and registration exemptions available for the distribution of syndicated mortgages, including the following:

- removing the prospectus and registration exemptions under sections 2.36 of NI 45-106 and 8.12 of NI 31-103 (the **Mortgage Exemptions**) respectively for the distribution of syndicated mortgages in Newfoundland and Labrador, the Northwest Territories, Nova Scotia, Nunavut, Ontario, Prince Edward Island and Yukon;[1]
- introducing additional requirements to the offering memorandum prospectus exemption under section 2.9 of NI 45-106 (the **OM Exemption**) that would apply when the exemption is used to distribute syndicated mortgages; and
- amending the private issuer prospectus exemption under section 2.4 of NI 45-106 (the **Private Issuer Exemption**) so that it is not available for the distribution of syndicated mortgages.

We received 26 comment letters in response to the March 2018 Proposal.

In light of the comments received on the March 2018 Proposal, we are publishing for a 60-day comment period revised proposed amendments to NI 45-106 and NI 31-103 (the **Proposed Amendments**) and revised proposed changes (the **Proposed Changes**) to 45-106CP and to Companion Policy 31-103CP *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**31-103CP**) related to syndicated mortgages. The substantive differences between the Proposed Amendments and the Proposed Changes compared to the March 2018 Proposal are the following:

- Ontario, New Brunswick, Nova Scotia, and Newfoundland and Labrador are proposing dealer registration and prospectus exemptions, and Alberta and Québec are proposing a prospectus exemption, for qualified syndicated mortgages, similar to the exemptions already available in British Columbia under British Columbia Rule 45-501 *Mortgages* (**BCI 45-501**);

[1] Syndicated mortgages are already excluded from the Mortgage Exemptions in Alberta, British Columbia, Manitoba, New Brunswick, Québec and Saskatchewan.

- Alberta is proposing a prospectus exemption for syndicated mortgages distributed to permitted clients similar to the prospectus exemption for distributions of syndicated mortgages to "institutional investors" under BCI 45-501;

- in relation to the OM Exemption,

    - the date of a property appraisal must be within 6 months preceding the date the appraisal is delivered to the purchaser instead of 12 months;

    - the proposed mortgage broker certificate has been removed; and

    - additional guidance as to the identity of the issuer of a syndicated mortgage has been added; and

- the amendments to the Mortgage Exemptions will both come into effect at the same time instead of the amendments to the registration exemption coming into effect 12 months after the amendments to the prospectus exemption.

This notice will also be available on the following websites of CSA jurisdictions:

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

Summary of Changes to the March 2018 Proposal

Exemptions for Qualified Syndicated Mortgages

Ontario, New Brunswick, Nova Scotia, and Newfoundland and Labrador are proposing to adopt dealer registration and prospectus exemptions for qualified syndicated mortgages. Alberta and Québec are also proposing to adopt a prospectus exemption for qualified syndicated mortgages. These exemptions are being adopted on a local basis for consistency, in some jurisdictions, with local mortgage legislation and regulations. However, the proposed exemptions are substantially harmonized. Other jurisdictions may consider adopting similar or additional exemptions as local rules or blanket orders in the future. As these proposed exemptions are local matters, please refer to Annex G in the relevant jurisdiction for more information.

OM Exemption

As suggested by several commenters, we have revised the requirement regarding the date of a property appraisal so that it must be within 6 months preceding the date the appraisal is delivered to the purchaser. The March 2018 Proposal had proposed that it be within 12 months of the date the appraisal is delivered to the purchaser, but we agree with the commenters that this is too long of a period given the rapidly changing real estate markets in certain jurisdictions.

We have also proposed additional guidance as to the identity of the issuer of a syndicated mortgage. As several commenters noted, the issuer of a syndicated mortgage may be the mortgage broker or other party organizing the syndication, rather than the borrower under the mortgage. Given that a mortgage broker that is the issuer of the syndicated mortgage will provide a certificate as issuer, a separate requirement for a mortgage broker to provide a certificate in their capacity as mortgage broker is not necessary.

Timing

The March 2018 Proposal contemplated that the proposed amendments to the Mortgage Exemptions in Newfoundland and Labrador, the Northwest Territories, Nova Scotia, Nunavut, Ontario, Prince Edward Island and Yukon would have a staggered implementation with the amendment to the registration exemption coming into effect 12 months after the amendment to the prospectus exemption. We are now proposing that all the Proposed Amendments will come into force at the same time, as we believe a one-stage implementation will be less disruptive in those jurisdictions.

Subject to necessary regulatory approvals, the Proposed Amendments will come into effect on December 31, 2019. We encourage those persons or companies who may be required to be registered in Newfoundland and Labrador, the Northwest Territories, Nova Scotia, Nunavut, Ontario, Prince Edward Island and Yukon to apply for registration well in advance of that date.

Impact on Investors

As with the March 2018 Proposal, investors in syndicated mortgages who purchase under the amended OM Exemption would be entitled to enhanced disclosure relating to their investment. We anticipate that this additional disclosure would result in more informed investment decisions and enable registrants involved in the distribution to better fulfil their obligations related to the distribution.

In the jurisdictions that currently provide a registration exemption for syndicated mortgages, investors will benefit from the protections associated with the involvement of a registrant in the distribution.

Anticipated Costs and Benefits of the Proposed Amendments and Proposed Changes

The anticipated costs and benefits of the Proposed Amendments and Proposed Changes are expected to be substantially the same as described in the March 2018 Proposal. In those jurisdictions that are proposing local amendments or changes, including an exemption for qualified syndicated mortgages, Annex G contains further discussion.

Alternatives Considered

We considered adopting the March 2018 Proposal in its original form as well as the alternatives suggested by the commenters as detailed in Annex B.

Local Matters

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

Request for Comments

We welcome your comments on the Proposed Amendments and Proposed Changes.

Please submit your comments in writing on or before May 14, 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 the CSA as follows:

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

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

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

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Annex G – Local Matters

Questions

Please refer your questions to any of the following:

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ANNEX A

LIST OF COMMENTERS

No.	Commenter	Date of Letter
1.	Secure Capital MIC Inc.	April 6, 2018
2.	Paragon Capital Corp. Inc.	May 15, 2018
3.	The Canadian Advocacy Council for Canadian CFA Institute Societies	May 18, 2018
4.	First Source Mortgage Corporation	May 30, 2018
5.	Donna Lewczuk	June 1, 2018
6.	Brownlee LLP	June 1, 2018
7.	TELB Investments Ltd.	June 1, 2018
8.	Appraisal Institute of Canada	June 5, 2018
9.	Paul Mangion	June 5, 2018
10.	MCAP Commercial LP	June 5, 2018
11.	Chuck Barrett	June 5, 2018
12.	Canadian Mortgage Brokers Association	June 5, 2018
13.	Empirical Capital Corp.	June 4, 2018
14.	Private Capital Markets Association of Canada	June 6, 2018
15.	McMillan LLP	June 6, 2018
16.	The Ontario Mortgage Investment Companies Association	June 6, 2018
17.	Farris, Vaughn, Wills & Murphy LLP	June 6, 2018
18.	McLeod Law LLP	June 6, 2018
19.	Olympia Trust Company	June 6, 2018
20.	Koffman Kalef LLP	June 6, 2018
21.	Lanyard Financial Corporation	June 6, 2018
22.	Foremost Financial Corporation	June 6, 2018
23.	Borden Ladner Gervais LLP	June 6, 2018
24.	Mortgage Professionals Canada	June 6, 2018
25.	Canadian Foundation for Advancement of Investor Rights	June 13, 2018
26.	Realtech Capital Group Inc.	June 25, 2018

ANNEX B

SUMMARY OF COMMENTS AND RESPONSES

No.	Subject	Summarized Comment	Response
GENERAL COMMENTS			
1.	Necessity	Four commenters expressed their general support for the March 2018 Proposal and greater harmonization across the CSA. Three commenters were of the view that the status quo is sufficient for syndicated mortgages involving existing residential and commercial properties, but additional regulation was required for syndicated mortgages used for development financing. One commenter expressed support for applying the same regulation to syndicated mortgages as is currently applied to mortgage investment entities. Several commenters expressed support for the existing British Columbia regime, as discussed in more detail under “Alternative Prospectus and Registration Exemptions” (rows 39-43).	We thank all the commenters for their support and input. We agree that syndicated mortgages can involve a wide variety of property and loan types and the risks associated with investments in syndicated mortgages may vary as a result. The extent to which an investment in a syndicated mortgage is similar to an investment in the business of the borrower is not necessarily limited to syndicated mortgages sold in connection with property developments. For example, as one commenter suggested, this could be the case for syndicated mortgages on properties with businesses such retirement homes or hotels. In general, the requirements of the prospectus exemptions that are likely to be used to distribute syndicated mortgages, such as the accredited investor exemption or the family, friends and business associates exemption, are linked to the characteristics of the purchaser, rather than the specific terms of the securities. Accordingly, these exemptions should be suitable for the full range of syndicated mortgages that may be distributed. Similarly, the requirements applicable to registrants involved in the distribution of syndicated mortgages are principles-based and would apply to the distribution of syndicated mortgages in the same way as other securities sold in the exempt market. The Proposed Amendments would substantially align the requirements applicable to syndicated mortgages with those that apply to the distribution of mortgage investment entities. In addition, although certain local exemptions remain, they will substantially harmonize the treatment of syndicated mortgages under securities legislation across the CSA jurisdictions.

No.	Subject	Summarized Comment	Response
2.	Risks of syndicated mortgages and comparisons to other securities	Several commenters expressed the view that a few high-profile failures have created an inaccurate impression of syndicated mortgages. One of these commenters provided certain information in respect of syndicated mortgages it administers. Of the 2,083 syndicated mortgages this commenter funded in 2015, 2016 and 2017: • 80 (3.8%) of the mortgages led to a loss of some principal or interest; • 35 (1.7%) are currently in foreclosure proceedings; • 19 (<1%) resulted in the lenders losing all of their money; and • 3 (<1%) resulted in the lenders foreclosing on the property.	We thank the commenters for their input. The Proposed Amendments are primarily intended to enhance investor protection for riskier types of syndicated mortgages marketed to retail investors. The data provided by one commenter supports the view that syndicated mortgages are relatively high-risk investments with investor losses in approximately 6.6% of the syndicated mortgages funded.
		One commenter noted that unsecured debt will not have increased disclosure requirements, notwithstanding the commenter's view that syndicated mortgages are less risky than unsecured debt.	We acknowledge this comment, but we have concerns with products sold as low risk on the basis that they are secured by an interest in real property.
3.	Use of offering memorandum exemption	Several commenters expressed the view that the offering memorandum exemption would rarely be used for the distribution of syndicated mortgages due to the fast pace with which such transactions are conducted.	We thank the commenters for their input. We agree that the offering memorandum exemption is likely to be used only where syndicated mortgages are marketed broadly to retail investors. Since these are the circumstances where investor protection concerns are likely to be more prevalent, we introduced additional disclosure requirements that are limited to this exemption.
4.	Reports of exempt distribution	Several commenters expressed concerns about the fees associated with filing reports of exempt distribution and that they may make borrowing more expensive as they would be passed along to the borrower.	We acknowledge the comments regarding costs. However, we do not expect the costs of filing reports of exempt distributions to be significant compared to the costs of registering the security interest or administering a syndicated mortgage, particularly in those jurisdictions that charge a fixed fee for filing reports of exempt distribution.
		One commenter suggested that instead of revising the filing fees, we should extend the time for filing a report of exempt distribution from ten days to one month.	We appreciate the commenter's suggestion. However, revising the report of exempt distribution requirements is outside the scope of this project.
		Several commenters expressed concerns that the borrower is not the most appropriate party to be required to file a report of exempt distribution and some suggested the dealer or lenders could be required to file the report of exempt distribution.	We believe this is addressed through the additional guidance we have provided as to the identity of the issuer of a syndicated mortgage. We also note that the report of exempt distribution requires an issuer to disclose personal information about each investor. Accordingly, we do not think it would be appropriate to require a lender to

No.	Subject	Summarized Comment	Response
			file the report of exempt distribution as the lender would be required to obtain personal information from the other lenders.
		Two commenters suggested that reports of exempt distribution should not be required if the distribution was made solely to permitted clients. These commenters also noted that there is an exemption from filing reports of exempt distribution for certain distributions of securities to Canadian financial institutions and Schedule III banks but not for distributions to other commercial lenders. One of these commenters speculated that there is substantial non-compliance in jurisdictions that currently do not provide a prospectus exemption for syndicated mortgages and suggested the mortgage exemption should be available for syndicated mortgages distributed to permitted clients (as defined in section 1.1 of NI 31-103).	Alberta is proposing to introduce a prospectus exemption for the distribution of syndicated mortgages to permitted clients similar to the prospectus exemption for distributions of syndicated mortgages to "institutional investors" in BCI 45-501. This exemption will not require the filing of a report of exempt distribution. The other jurisdictions are not proposing similar exemptions because they have previously considered similar comments during amendments to the report of exempt distribution and still do not favour the change because they continue to believe that the information collected in the report is necessary to inform compliance programs, improve understanding of the syndicated mortgages market and inform future policy development.
		One commenter suggested that reports of exempt distribution should be confidential as the fees and commissions paid to mortgage brokers may be regarded as sensitive competitive information that is not today publicly disclosed.	We thank the commenter for the feedback, but we disagree and believe transparency with respect to fees and commissions is important. Market participants can apply to the securities regulatory authorities for confidential treatment of certain records if the record contains personal or sensitive business information that would be detrimental to a person if it was disclosed to the public.
		One commenter expressed that it could be ruinous to be required to report the names of its investors as they could be poached by a competitor.	We acknowledge the commenter's concern but note that the names of investors participating in the distribution appear only in Schedule 1 to the report of exempt distribution, which is not made publicly available as it includes investors' personal information.
5.	Definition of syndicated mortgage	Several commenters raised potential issues with the definition of syndicated mortgages.	We acknowledge these comments but note that the current definition of syndicated mortgage is already used in NI 45-106 and NI 31-103 by several CSA jurisdictions to exclude these products from the Mortgage Exemptions. We are not aware of any significant problems caused by the definition in those jurisdictions. One purpose of this project is to increase harmonization in the area. Accordingly, we are not proposing changes to the definition of syndicated mortgage.
		Some commenters suggested that the definition of syndicated mortgage may be too	We acknowledge that there is a wide variety of securities that may be secured by real

No.	Subject	Summarized Comment	Response
		narrow in that it would not capture non-mortgage debt securities secured by real property.	property. This project is not intended to apply to all investments in real estate.
		One commenter noted that most syndicated mortgage failures involved hundreds of lenders so the definition of syndicated mortgage should be revised to a mortgage in which 10 or more lenders participate.	Please refer to commentary under "Exemption for small number of investors proposed in question 7 of March 2018 Proposal" (row 41) for commentary relating to exemptions for syndicated mortgages with a small number of investors.
		Some commenters suggested that the definition of syndicated mortgage was so broad that it would also capture mortgage investment entities.	We do not agree that all securities offered by mortgage investment entities would be captured by this definition. For example, the distribution of an equity investment in a mortgage investment entity is currently subject to both the prospectus and registration requirements and would not be affected by the Proposed Amendments.
		One commenter suggested that the definition of syndicated mortgage was so broad it would capture mortgage-backed securities and sales of mortgages into the CMHC NBA MBS Program.	Similarly, where a distribution of asset-backed securities linked to mortgages, such as pass-through certificates, pay-through certificates or other investments in securitization vehicles, involves the distribution of securities, we do not believe those securities would generally fall within the definition of a syndicated mortgage.
		One commenter suggested that two persons in a legally recognized spousal relationship should be treated as one person on a mortgage.	We acknowledge this comment and that the definition of syndicated mortgage may capture a mortgage where two persons in a spousal relationship are lenders. The definition of syndicated mortgage is an existing definition in NI 45-106 and NI 31-103 and we are not proposing to make any changes at this time.
6.	Syndicated mortgage versus syndicated equity	Several commenters suggested that the Proposed Amendments should not capture all syndicated mortgages but only those that have a loan-to-value in excess of a threshold, such as 80% or 85%, which several commenters referred to as syndicated equity.	We thank the commenters for their input. Although we agree that the loan-to-value ratio is important, it is only one indicator of the risk of a syndicated mortgage. As a result, we do not propose to use this as the sole basis for determining the securities law requirements that should apply to the distribution of syndicated mortgages.
7.	Risk acknowledgement forms	One commenter suggested that the CSA review the efficacy of the existing risk acknowledgement forms.	Consideration of the risk acknowledgment requirements that apply to certain prospectus exemptions is outside the scope of this project.
8.	Who is the issuer?	Several commenters suggested that commonly in syndicated mortgages the borrower is not the issuer. These commenters stressed the difference between a mortgage that is syndicated at the time of the initial loan (*i.e.*, a shared mortgage or a mortgage with a co-lending syndicate) versus a mortgage with one initial lender who then, potentially	We thank the commenters for their input. We agree that additional guidance regarding the appropriate identity of the issuer or issuers of a syndicated mortgage is required. As suggested we have clarified in 45-106CP that, where an existing mortgage is syndicated, the party undertaking the syndication will generally be

No.	Subject	Summarized Comment	Response
		unknown to the borrower, syndicates the mortgage to other investors.	an issuer of the syndicated mortgage. In some cases, the issuer may be a mortgage broker that is syndicating the loan. Alternatively, if the entity used for the syndication is established by a mortgage broker, the mortgage broker may be a promoter of the issuer. We have also provided additional guidance regarding the use of the offering memorandum exemption to distribute syndicated mortgages and the fact that the exemption is only available for the distribution by an issuer of a security of its own issue. Accordingly, where a mortgage that has already been advanced or committed is being syndicated, the exemption would only be available where the party syndicating the mortgage is the issuer.
9.	Public database of syndicated mortgages	One commenter suggested that there should be a public database of syndicated mortgages to facilitate comparison across types of properties, issuers, brokers, regions, credit, *etc*.	We thank the commenter for this suggestion. Requiring detailed reporting regarding the terms of securities issued in the exempt market is beyond the current report of exempt distribution and would impose a significant burden on issuers. In addition, several regulatory and systems changes would be required that are beyond the scope of the Proposed Amendments.
10.	Currently exempt professionals	Several commenters indicated that chartered bank representatives, lawyers and other professionals currently exempt under mortgage legislation should no longer be exempt in order to level the playing field.	Under securities laws, there is a business trigger for registration. Section 1.3 of 31-103CP contains guidance related to the business trigger for registration in the context of certain professional services. In addition, there are registration exemptions that could potentially apply to a person or company involved in the distribution of syndicated mortgages. However, these do not necessarily correspond to the exemptions under mortgage legislation and may differ depending on the jurisdictions involved.
11.	Statutory rights of action	One commenter expressed that purchasers in all jurisdictions should have a statutory right of action against issuers, promoters and mortgage brokers in the event that an offering memorandum contains a misrepresentation.	We thank the commenter for their input but changes to the statutory rights of action are beyond the scope of the Proposed Amendments. In the event of a misrepresentation in an offering memorandum, local securities legislation provides for rights of action against the issuer and, depending on the jurisdiction, certain other parties.
12.	Compliance reviews	One commenter noted that the CSA will need to allocate resources to review offering memoranda and exempt market dealers in order to improve compliance and deter fraudulent activity.	For those jurisdictions that already exclude syndicated mortgages from the Mortgage Exemptions, our compliance programs will continue to review offering memoranda and registrants. For those jurisdictions that are amending the Mortgage Exemptions to

No.	Subject	Summarized Comment	Response
			exclude syndicated mortgages, we expect that the distribution of syndicated mortgages will be an area of focus following the implementation of the Proposed Amendments. Information provided through reports of exempt distribution will be particularly important to monitoring this area.
13.	Fee disclosure	One commenter noted that there needs to be clear disclosure about fees that lenders receive from borrowers on closing and how those fees are distributed back to investors or otherwise allocated.	Item 18 of proposed Form 45-106F18 requires disclosure of the fees that are to be charged to the borrower, how they are to be calculated and paid and when any person involved in the distribution is entitled to payment or states that the investor may request a copy of the disclosure statement provided by the mortgage broker to the borrower concerning all fees. Item 7 of Form 45-106F2 requires disclosure of compensation paid to sellers and finders. Any registered dealer involved in the sale of syndicated mortgages would be subject to the obligation to disclose fees to its clients in connection with its relationship disclosure information and ongoing reporting obligations.
14.	Decreased diversification	Three commenters suggested that the March 2018 Proposal may have the unintended consequence of decreased diversification for investors because there will be fewer syndicated mortgages in which they can invest, or they will be required to make larger investments in a syndicated mortgage.	We expect a registered dealer's suitability assessment to consider an investor's concentration in any investment, including a syndicated mortgage. Accordingly, concerns regarding diversification should be addressed in the ordinary course by the involvement of a registered dealer.
GENERAL REGISTRATION COMMENTS			
15.	Existing registration exemptions	One commenter suggested that all mortgage brokers involved in the business of distributing syndicated mortgages should be required to be registered as a dealer without exception.	Any mortgage broker in the business of trading securities will be required to register as a dealer or rely upon an available registration exemption. We note that there are existing registration exemptions upon which some mortgage brokers may be able to rely. For example, section 8.5 of NI 31-103 provides a dealer registration exemption for trades under certain conditions that are made through a registered dealer.
16.	Cost of using registered dealer	Several commenters expressed concerns that the requirement to use a registered dealer will significantly increase the cost of lending and create unnecessary complexities and that the required due diligence and suitability assessments are not feasible given the typically short transaction times for syndicated mortgages.	Certain jurisdictions already exclude syndicated mortgages from the Mortgage Exemptions. The registration requirement and the category of exempt market dealer seek to require any entity that is in the business of trading securities in the exempt market to possess the required level of proficiency, integrity and solvency to participate in the market. Investors in other forms of real estate and mortgage

No.	Subject	Summarized Comment	Response
			investments, such as mortgage investment entities, currently benefit from the protections of the registration requirement. For those jurisdictions amending the Mortgage Exemptions to exclude syndicated mortgages, the Proposed Amendments would result in the same level of protection for syndicated mortgage investments as these other types of securities. Mortgage brokers that are currently relying on the Mortgage Exemptions to trade syndicated mortgages in Newfoundland and Labrador, the Northwest Territories, Nova Scotia, Nunavut, Ontario, Prince Edward Island and Yukon will be required to seek registration or rely on an alternative registration exemption if their activities meet the business trigger for dealer registration. We acknowledge that this will involve costs. However, as for other forms of mortgage investments, we consider that such costs are justified by the benefits to investors and the market generally.
17.	New registration category	One commenter suggested that a new category of registration should be created, and the requirements should be the same as those currently applied to mortgage brokers.	We thank the commenter for their input, but we believe the existing categories of dealer registration are appropriate. Any entity seeking registration as an exempt market dealer may seek exemptions from specific requirements of securities legislation that are not compatible with their business model. Accordingly, dealers that are prepared to accept terms and conditions that limit their activities to syndicated mortgages may seek relief from requirements that could be more applicable to exempt market dealers offering securities generally.
18.	Relevant securities industry experience	Several commenters asked for guidance as to what we would consider to be relevant securities industry experience if a mortgage broker were to apply for registration as a dealing representative or chief compliance officer of an exempt market dealer.	For firms and individuals that apply for registration to trade in syndicated mortgages, we will consider relevant securities industry experience to include relevant experience acquired at a licensed mortgage broker, brokerage, agency or dealer, provided the applicant demonstrates the proficiency, integrity and solvency for registration. Applicants that rely on mortgage-specific experience should expect regulators to place terms and conditions restricting their trading activities to a specified class of securities (*e.g.*, syndicated mortgages or securities of real estate issuers). We propose to include clarifying language in 31-103CP as part of the Proposed Changes.
19.	Know-your-product obligations	One commenter expressed that they consider it would be part of a dealer's know-your-	We thank the commenter for their input. We agree that taking reasonable steps to verify

No.	Subject	Summarized Comment	Response
		product obligations to ensure there has been a recent and reliable property appraisal for a syndicated mortgage distribution under any exemption.	the loan-to-value ratio of a syndicated mortgage would be important for a registrant to discharge its know-your-product obligation.
20.	Restricted dealer registration	One commenter suggested that existing mortgage brokers should be registered as dealers but be permitted to engage solely in trading syndicated mortgages.	We thank the commenter for their input. If applicant firms demonstrate limited proficiency or experience beyond syndicated mortgages, we expect terms and conditions will be placed to restrict trading activities to a specified class of securities (*e.g.*, syndicated mortgages or securities of real estate issuers).
21.	Transition period	One commenter suggested that the proposed 12-month registration transition period was not sufficient, and it should instead be 24 months.	In Newfoundland and Labrador, the Northwest Territories, Nova Scotia, Nunavut, Ontario, Prince Edward Island and Yukon the registration requirement is now proposed to come into effect on December 31, 2019. These jurisdictions are of the view that this period provides an adequate amount of time for transition. The exclusion for syndicated mortgages already exists in the other CSA jurisdictions and registration is already required, subject to any available exemptions.
22.	Different roles of registered dealer and mortgage broker	One commenter expressed that a registered dealer could not replace the current role of a mortgage broker, which may include underwriting the mortgage, drafting the mortgage commitment, ensuring the mortgage commitment conditions have been satisfied, ensuring the mortgage is registered before authorizing the release of investor funds, and inspecting development sites. Several commenters suggested that we appear to expect both mortgage broker and registered dealer to be involved in distributions of syndicated mortgages, but it is not clear how this would work, and it would not be economically feasible given the typical fees charged by brokers and dealers. One commenter stated that it had consulted with its clients and they all confirmed their preference to work with mortgage brokers for these transactions.	The requirement to be licensed as a mortgage broker, brokerage or agency to deal in or trade in mortgages under local legislation is not affected by the Proposed Amendments. Accordingly, in some jurisdictions both a licensed mortgage broker, brokerage or agency and a registered dealer may be required. Many jurisdictions require mortgage investments entities, such as mortgage investment corporations, to offer their securities through a registrant. Such entities are generally also required to be licensed as a mortgage broker, brokerage or agency. We understand that it is not unusual for mortgage professionals involved with mortgage investment entities to maintain dual registration. As discussed above, the need for the involvement of a mortgage broker, brokerage or agency will not be affected by the Proposed Amendments.
OFFERING MEMORANDUM EXEMPTION – PROPERTY APPRAISALS			
23.	Date of appraisal	Several commenters expressed that an appraisal should be required to be within 6 months before the date of an offering	We thank the commenters for their input and have revised the requirement so that an appraisal must provide a value of the

No.	Subject	Summarized Comment	Response
		memorandum, instead of the proposed 12 months.	property as at a date that is within 6 months preceding the date that the appraisal is delivered to the purchaser.
24.	Methodology	Three commenters expressed that the type of appraisal methodology applied, and limitations of the methodology, should be disclosed to investors in plain language.	We have revised Item 8 of proposed Form 45-106F18 to include that the issuer must describe the type of appraisal, methodology applied and limitations of the methodology.
25.	Arm's length transaction	Several commenters stated that an appraisal should be required regardless of whether the property was acquired in an arm's length transaction as this would not guarantee the amount paid was reasonable or the fair market value. One commenter stated that an appraisal should not be required if the property was recently acquired in an open market transaction with all parties acting at arm's length.	We thank the commenters for their input. We are not proposing to provide an exemption from the appraisal requirement under the offering memorandum exemption for properties acquired in an arm's length transaction.
26.	Professional liability insurance	One commenter suggested that an appraiser should be required to have professional liability insurance appropriate to the valuation assignment.	We acknowledge the commenter's concern. However, we are not proposing to prescribe standards for insurance for professional appraisers. To be a qualified appraiser, an appraiser must be a member in good standing of a professional association. We note that some professional associations, including the Appraisal Institute of Canada, have mandatory insurance programs for their members.
27.	Waiver of requirement for appraisal	Two commenters suggested that an investor could certify that they consider themselves an expert or professional and agree in writing to waive the requirement for an appraisal.	We thank the commenter for this suggestion. However, we do not think that it would be appropriate to provide for this type of waiver. Appraisals are required only for distributions under the offering memorandum exemption, which is designed for distributions to retail investors. Syndicated mortgages offered under other exemptions, such as the accredited investor exemption, will not require an appraisal. However, an appraisal may be provided for such distributions to respond to concerns of investors or dealers participating in the transaction.
28.	Form of appraisal	Three commenters suggested than an appraisal should be addressed to the investors or a letter of reliance should be provided from the appraiser to the investors.	We thank the commenters for this suggestion. However, we believe an obligation to deliver an appraisal to a purchaser is sufficient.
29.	Appraiser's independence	One commenter suggested that for an appraiser to be independent it should be restricted in terms of the volume of business it receives from an issuer, issuer group or mortgage broker.	Proposed subsection 2.9(19) of NI 45-106 provides an objective test for the independence of an appraiser. Any circumstance that, in the opinion of a reasonable person aware of all the relevant facts, could interfere with the qualified appraiser's judgment regarding the preparation of an appraisal for a property,

No.	Subject	Summarized Comment	Response
			would result in the appraiser not being independent. We agree with the commenter that the amount of business that an appraiser does with an issuer or related issuers could result in the appraiser not being independent. For example, the guidance in proposed paragraph 3.8(13)(h) of 45-106CP indicates that we would consider an appraiser not to be independent if the appraiser has received a majority of their income, either directly or indirectly, in the three years preceding the date of the appraisal from the issuer or a related party of the issuer.
30.	Requirement for appraisal for syndicated mortgages distributed under other exemptions	One commenter suggested that an appraisal should be a requirement for distributions under any exemption not just the offering memorandum exemption. Another commenter suggested that an appraisal should only be required for distributions under the offering memorandum exemption as distributions under other exemptions are dependent upon the ability to structure the transaction quickly.	We thank the commenters for their input. Although we have not added a requirement to provide investors with an appraisal for any exemptions other than the offering memorandum exemption, as noted above, a dealer's know-your-product obligations would likely require it to take reasonable steps to ascertain the loan-to-value ratio of a syndicated mortgage. In addition, we understand that sophisticated investors may demand adequate evidence of value of a property.
OFFERING MEMORANDUM EXEMPTION – FORM 45-106F18			
31.	Item 8 - Appraisal	One commenter suggested that we should repeat the requirement to deliver the appraisal to investors in Item 8 of Form 45-106F18.	We thank the commenter for their suggestion. Item 8 of Form 45-106F18 is meant to provide investors with a description of the appraisal. This does not alter the requirement that the issuer also deliver a copy of the entire appraisal to the investor under subsection 2.9(19.1) of NI 45-106.
32.	Item 19 – Registration Documentation	One commenter suggested that we should add the appraisal to the list of documents in Item 19 of Form 45-106F18.	We thank the commenter for their suggestions. Item 19 of Form 45-106F18 provides a list of documents that the investor may request from the issuer after the completion of registration and disbursement of the syndicated mortgage. The issuer is required to deliver a copy of the appraisal to the investor at the same time or before the issuer delivers the offering memorandum to the investor.
33.	Alternative property values	Two commenters noted that an issuer would still be permitted to disclose any value for a property if they could demonstrate a reasonable basis for the value and they disclosed the material factors and assumptions used in arriving at the value and whether it was prepared by an independent, qualified appraiser. One commenter suggested that we should prohibit the disclosure of a projected future value of the property or the expected market	We believe that a projected future value may be relevant information for investors and the appropriate approach is to allow disclosure of such values while requiring disclosure of the factors and assumptions used in arriving at the value, together with the prominent disclosure of the appraised value.

No.	Subject	Summarized Comment	Response
		value upon completion of the development of a property regardless of whether such value was prepared by an independent, qualified appraiser.	
34.	Marketing materials	One commenter suggested that any marketing, promotion or advertising material should be incorporated by reference into the offering memorandum.	We thank the commenter for their input but note that certain jurisdictions already require OM marketing materials to be incorporated by reference into an offering memorandum and filed with the regulator.
35.	Additional disclosure for other prospectus exemptions	One commenter suggested that the proposed additional disclosure under the offering memorandum should be a requirement for any distribution of syndicated mortgages regardless of which prospectus exemption is relied upon.	We do not currently prescribe disclosure for other exemptions, such as the accredited investor and family, friends and business associates exemptions. Introducing such disclosure would be a significant change that is beyond the scope of the Proposed Amendments.
36.	Mortgage broker certificate	Two commenters indicated that the mortgage broker certificate is an important safeguard for investors and suggested the CSA issue guidance as to the extent of the broker's due diligence obligations. Another commenter supported requiring the mortgage broker to sign the OM certificate and provide additional disclosure in the offering memorandum. This commenter could not think of a circumstance where it would not be appropriate to require this in connection with the offering memorandum exemption. Several commenters suggested the mortgage broker certificate may be costly in terms of the due diligence required by the broker and may not add any value or may be of little utility for investors. Some of these commenters suggested a certification in respect of matters within, or that ought to be within, the broker's knowledge may suffice. Two commenters suggested a mortgage broker certificate should not be required unless the broker is the issuer or syndicator. One commenter suggested a mortgage broker certificate may provide a false sense of security to investors and that the lack of oversight of brokers would need to be addressed if the certificate is to be a requirement.	We thank the commenters for their feedback. We have removed the mortgage broker certificate requirement. If a mortgage broker is actively involved in mortgage syndication, we expect that the mortgage broker will be required to certify the offering memorandum as the issuer of the syndicated mortgage. In these circumstances, a separate mortgage broker certificate would be redundant. We acknowledge the commenter's concern. However, we note that mortgage brokers are subject to oversight under mortgage legislation.
PRIVATE ISSUER EXEMPTION			
37.	Private issuer exemption should not be available	Two commenters supported our proposal that the private issuer exemption not be available for distributions of syndicated mortgages.	We thank the commenters for their support.
38.	Private issuer exemption should be available	Several commenters expressed that the private issuer exemption should remain available for distributions of syndicated mortgages.	We thank the commenters for their input, but we believe it is necessary for securities regulators to have a better understanding of this market by requiring issuers of

No.	Subject	Summarized Comment	Response
		Two commenters suggested the exemption could remain available but with the requirement to file a report of exempt distribution. Other commenters suggested there were ways the CSA could require reporting of distributions under the private issuer exemption other than the requirement to file a report of exempt distribution. One commenter suggested the private issuer exemption could remain available but be limited to distributions to directors, officers or employees of the issuer. One commenter suggested the private issuer exemption would be appropriate for distributions of syndicated mortgages where the property is used by the mortgagor for residential or business purposes.	syndicated mortgages to report distributions. Issuers will continue to be able to distribute syndicated mortgages to the same group of investors using the accredited investor or family, friends and business associates exemptions.
ALTERNATIVE PROSPECTUS AND REGISTRATION EXEMPTIONS			
39.	No additional exemptions needed	Two commenters were of the view that no additional prospectus exemptions were required. Two other commenters were of the view that, if the private issuer exemption remains available, no additional prospectus exemptions would be required. Two other commenters were of the view that creating exemptions based on classes of syndicated mortgages would be difficult and it may create confusion and uncertainty among retail investors and result in less disclosure.	We thank the commenters for their input. Ontario, New Brunswick, Nova Scotia, and Newfoundland and Labrador propose to introduce prospectus and dealer registration exemptions for the distribution of qualified syndicated mortgages by licensed mortgage brokerages, similar to the exemptions that exist in British Columbia. Alberta and Québec propose to introduce a prospectus exemption for this instance. Qualified syndicated mortgages are less likely to give rise to the same investor protection issues as other syndicated mortgages, which may have more equity-like characteristics. Please refer to Annex G in each of the above jurisdictions for the details of the above exemptions. We do not propose to introduce additional exemptions based on the attributes of the syndicated mortgage at this time. However, we will monitor activity and may consider additional exemptions in the future. In addition, we note that market participants may seek discretionary exemptive relief to offer certain types of securities if there is a sufficient basis to determine that it would not be contrary to the public interest to grant such relief.
40.	Existing local British Columbia exemptions	Several commenters expressed the view that the current regime in British Columbia should remain in place and the exemptions in BCI 45-501 and British Columbia Instrument 32-517 *Exemption from Dealer Registration Requirement for Trades in Securities of Mortgage Investment Entities* (**BCI 32-517**)	As discussed above, certain jurisdictions propose to adopt exemptions similar to the existing exemptions for qualified syndicated mortgages in BCI 45-501.

No.	Subject	Summarized Comment	Response
		should be made permanent and adopted across the CSA.	
		Several commenters suggested that BCI 45-501 should be adopted with modifications including: • expanding the definition of institutional investor to include accredited investors and those that would be able to invest under the family, friends and business associates exemption; • expanding the definition of qualified syndicated mortgage by removing conditions (c) and (d)[2]; or • limiting the exemptions to mortgages on residential or commercial property with loans-to-value of 80% or less of the appraised value or purchase price.	We do not agree that all accredited investors should be treated as institutional investors. Syndicated mortgages may be sold under the accredited investor prospectus exemption or the family, friends and business associates prospectus exemption. However, subject to any available exemptions, the registration requirement may apply to parties involved in such distributions.
		One commenter was of the view that the existing form of offering memorandum for syndicated mortgages in British Columbia, Form 45-901F, provides sufficient disclosure and was preferable to the Form 45-106F2 supplemented by the Form 45-106F18.	The requirements of proposed Form 45-106F18 are based on British Columbia Form 45-901F and the level of disclosure is intended to be comparable.
		Three commenters were of the view that BCI 45-501 should not be adopted due to the complexity of having two different regulatory regimes and investor protection concerns given that mortgage brokers may not have the same know-your-client and suitability obligations as registered dealers.	We acknowledge the feedback and have decided not to introduce these exemptions on a national basis at this time. As discussed above, certain jurisdictions are proposing to adopt exemptions similar to the exemptions for qualified syndicated mortgages in BCI 45-501. However, these exemptions are being adopted on a local basis because of differences in local mortgage legislation and regulation.
		One commenter was of the view that BCI 32-517 should be repealed.	BCI 32-517 expired on February 15, 2019.
41.	Exemption for small number of investors proposed in question 7 March 2018 Proposal	Three commenters were opposed to introducing an exemption for a small number of investors because in their view an exemption should be based on risk factors and the number of investors does not necessarily make a syndicated mortgage more or less risky or there would be more room for misrepresentation under such an exemption. Several commenters were supportive of the proposed exemption and one suggested the appropriate numbers of lenders would be ten	We thank the commenters for their input. We are not proposing an exemption based on the number of lenders at this time.

[2] Conditions (c) and (d) of the existing definition of "qualified syndicated mortgage" under BCI 45-501 are the following: (c) the syndicated mortgage secures a debt obligation on property used solely for residential purposes and containing no more than four residential dwelling units, and (d) the syndicated mortgage does not secure a debt obligation incurred for the construction or development of property.

No.	Subject	Summarized Comment	Response
		or less. One commenter was supportive of the proposed exemption but thought it should not be limited to the mortgagor being an individual and there may need to be restrictions around the nature of the business to exclude land development or speculative land holding businesses. One commenter was of the view that the proposed exemption would be reasonable if there was sufficient disclosure on the use of premises and financial statements of the operating business.	
42.	Suggestions for new exemptions	Several commenters suggested various new exemptions, including exemptions for each of the following scenarios: • Investors are exclusively accredited investors and the mortgage is not provided to a developer for purposes of land servicing, land development, the development or construction of more than one residence or the development or construction of one or more commercial or industrial buildings or properties for resale to other persons after the completion of the development or construction. • Mortgages with loans-to-value of less than 85%, based on a third-party appraisal, and that are in first or second position. • Investors are exclusively high-net-worth individuals. • Investors are exclusively institutional investors. • The issuer acts as the lead investor and has its own capital at risk alongside the investors.	We thank the commenters for their suggestions. As discussed above, certain jurisdictions are proposing exemptions for qualified syndicated mortgages, similar to the existing British Columbia exemptions. We also note that there is an existing prospectus exemption for distributions to accredited investors, which will remain available for distributions of syndicated mortgages.
44.	Further research	One commenter suggested that the CSA should further study the primary and secondary markets for syndicated mortgages to determine which exemptions are warranted.	We acknowledge the comment and will continue to monitor the distribution of syndicated mortgages following the adoption of the Proposed Amendments.

ANNEX C

PROPOSED AMENDMENTS TO

NATIONAL INSTRUMENT 45-106 *PROSPECTUS EXEMPTIONS*

1. National Instrument 45-106 Prospectus Exemptions is amended by this Instrument.

2. Section 1.1 is amended by adding the following definitions:

"professional association" means an organization of real property appraisers that has its head office in Canada and that

(a) admits members on the basis of their academic qualifications, experience and ethical fitness,

(b) requires its members to comply with professional standards of competence and ethics established or endorsed by the organization,

(c) requires or encourages its members to engage in continuing professional development, and

(d) disciplines, suspends or expels its members if misconduct occurs;***,***

"qualified appraiser" means an individual who

(a) regularly performs property appraisals for compensation,

(b) is a member of a professional association holding the appropriate designation, certification, charter or licence to act as an appraiser for the type of property appraised, and

(c) is in good standing with the professional association referred to in paragraph (b);***, and***

"syndicated mortgage" means a mortgage in which two or more persons participate, directly or indirectly, as a lender in a debt obligation that is secured by the mortgage;***.***

3. Section 2.4 is amended by:

(a) adding "or a syndicated mortgage***" after "***a short-term securitized product***" in subsection (4), and***

(b) adding the following subsection:

(6) In Ontario, subsection 73.4(2) of the *Securities Act* (Ontario) does not apply to a distribution of a short-term securitized product or a syndicated mortgage.***.***

4. Section 2.9 is amended by adding the following subsections:

(19) For the purposes of subsections (19.1) and (19.3), a qualified appraiser is independent of an issuer of a syndicated mortgage if there is no circumstance that, in the opinion of a reasonable person aware of all the relevant facts, could interfere with the qualified appraiser's judgment regarding the preparation of an appraisal for a property.

(19.1) Subsections (1), (2) and (2.1) do not apply to a distribution by an issuer of a syndicated mortgage unless, at the same time or before the issuer delivers an offering memorandum to the purchaser in accordance with subsections (1), (2) or (2.1), the issuer delivers to the purchaser an appraisal of the property subject to the syndicated mortgage that

(a) is prepared by a qualified appraiser who is independent of the issuer,

(b) includes a certificate signed by the appraiser stating that the appraisal is prepared in accordance with the applicable professional standards of the professional association of which the qualified appraiser is a member,

(c) provides the fair market value of the property subject to the syndicated mortgage, without considering any proposed improvements or proposed development, and

(d) values the property as at a date that is within 6 months preceding the date that the appraisal is delivered to the purchaser.

(19.2) An issuer of a syndicated mortgage relying on an exemption set out in subsection (1), (2) or (2.1) must not make a representation or give an opinion as to the value of a property subject to the syndicated mortgage in any communication, unless the issuer has a reasonable basis for that value.

(19.3) If an issuer of a syndicated mortgage relying on an exemption set out in subsection (1), (2) or (2.1) discloses in any communication a representation or an opinion as to the value of a property subject to the syndicated mortgage, other than the fair market value disclosed in the appraisal required under subsection (19.1), the issuer must also disclose

(a) with equal or greater prominence, the fair market value disclosed in the appraisal required under subsection (19.1),

(b) the material factors or assumptions used to determine the value, and

(c) whether or not the value was determined by a qualified appraiser who is independent of the issuer.

(19.4) The issuer must file a copy of an appraisal delivered under subsection (19.1) with the securities regulatory authority concurrently with the filing of the offering memorandum.**.**

5. Section 2.36 is amended by:

(a) repealing subsection (1),

(b) replacing "Except in Ontario, and subject***" in subsection (2) with "***Subject***", and***

(c) replacing subsection (3) with the following:

(3) Subsection (2) does not apply to the distribution of a syndicated mortgage.**.**

6. Section 6.4 is amended by adding the following subsection:

(3) Despite subsections (1) and (2), an offering memorandum for the distribution of a syndicated mortgage under section 2.9 [*Offering memorandum*] must be prepared in accordance with Form 45-106F2 and Form 45-106F18.**.**

7. The following form is added after Form 45-106F17:

Form 45-106F18

Supplemental Offering Memorandum Disclosure for Syndicated Mortgages

INSTRUCTIONS:

1. Integrate the following disclosure into your offering memorandum for a distribution of a syndicated mortgage.

2. You do not need to follow the order of items in this form. Information required in this form that has already been disclosed in response to the requirements of Form 45-106F2 Offering Memorandum for Non-Qualifying Issuers need not be repeated.

3. You do not need to respond to any item in this form that is inapplicable.

4. Certain items of this form require disclosure about the issuer of a syndicated mortgage and the borrower under a syndicated mortgage. The borrower could be the issuer of the syndicated mortgage. In these circumstances, the terms "issuer" and "borrower" are interchangeable and there is no requirement to duplicate information.

The issuer is required to provide all disclosure required under Form 45-106F2 and this form, including information about the borrower under the syndicated mortgage.

5. In this form, the distribution of a syndicated mortgage is also referred to as the "offering". The lenders or investors in a syndicated mortgage are also referred to in this form as the "purchasers".

6. In this form "principal holder" means each person who, directly or indirectly, beneficially owns or controls 10% or more of any class of voting securities of another person. If a principal holder is not an individual, in addition to the other disclosure requirements, provide the information required for the principal holder for any person that, directly or indirectly, beneficially owns or controls more than 50% of the voting rights of the principal holder.

7. In this form, "related party" has the meaning set out in the General Instructions to Form 45-106F2.

8. Where this form requires an issuer to indicate that copies of a document are available on request, the issuer must provide a copy of such document when requested.

Item 1 – Description of the Offering

(1) Describe the investment being offered and the legal rights of the purchaser, including all of the following:

- the nature of the investment, i.e., whether it is a participation in a mortgage, an assignment of a participation in a mortgage, a mortgage unit or some other direct or indirect interest or participation in a mortgage over real property and the legal rights of the purchaser attaching to the investment;
- the rights of the purchaser on default by the borrower and the rights of the purchaser to share in the proceeds of any recovery from the borrower, in particular the purchaser's voting rights and whether the purchaser has the right to institute individual legal action against the borrower and, if not, the person or persons who may institute or coordinate the institution of legal action against the borrower;
- if the issuer of the syndicated mortgage is not the borrower under the syndicated mortgage, the rights of the purchaser against the issuer of the syndicated mortgage on default by the borrower, if any.

(2) Describe the project and the plans for the use of the funds.

Item 2 – Raising of Funds

(1) If the funds to be raised through the offering are required to be raised in stages, disclose the period over which the funds will be raised and the factors that determine when they will be raised.

(2) If there are any arrangements under which any part of the funds raised will only become available to the borrower if certain conditions are fulfilled, describe those conditions, the procedure for the return of funds to the purchaser if the conditions are not met and any deduction or penalty imposed on the borrower or any other person for not meeting the conditions. Give details of the arrangements made for, and the persons responsible for, the supervision of the trust or escrow account or the investment of unreleased funds, and the investment policy to be followed.

Item 3 – Other Risk Factors Specific to Syndicated Mortgages

(1) State in bold:

> **Investments in syndicated mortgages are speculative and involve a high degree of risk. You should be aware that this investment has not only the usual risks associated with the financial ability of the borrower to make repayments, but also additional risks associated with syndication.**

(2) If the syndicated mortgage includes a personal covenant, guarantee or other financial commitment, state in bold:

> **The ability of the person providing the personal covenant, guarantee or other financial commitment to perform under the personal covenant, guarantee or other financial commitment will depend on the financial strength of the person. There is no assurance that the person will have the financial ability to be able to satisfy the person's obligations under the personal covenant, guarantee or other financial commitment. You might not receive any return from your investment or the initial amount invested.**

(3) Disclose any risk factors associated with the offering.

INSTRUCTIONS:

Potential risk factors include, but are not limited to, any of the following:

- *the reliance on the ability of the borrower to make payments under the mortgage;*
- *the financial strength of any person offering a personal covenant, guarantee or financial commitment;*
- *the ability to raise further funds as progress in development or construction takes place;*
- *changes in land value;*
- *unanticipated construction and development costs or delays;*
- *the ability to recover one's investment in the event of foreclosure;*
- *restrictions on the ability of purchasers to take action individually if the borrower defaults;*
- *whether there are other encumbrances on the mortgaged property and their relative priority;*
- *the ranking of the syndicated mortgage in relation to other mortgages and encumbrances;*

- *conflicts of interest between the borrower, purchasers, issuer or others involved in the offering;*
- *inadequate insurance coverage;*
- *inability to change the trustee (if any);*
- *the restrictions imposed by securities legislation on the resale of the syndicated mortgage.*

Item 4 – Administration of the Mortgage

(1) Describe how the syndicated mortgage will be administered as well as all parties involved, including the name, address, contact person and any relevant licences or registration held by each party.

(2) Describe the specific responsibilities of all parties involved in the administration of the syndicated mortgage, including all of the following:

- collection responsibility for payments due under the syndicated mortgage;
- commencement of legal action on default;
- follow-up on insurance expirations or cancellations;
- all other material matters of administration to be provided by the person administering the syndicated mortgage.

(3) Describe the material terms of any administration agreement related to the syndicated mortgage.

(4) Disclose all fees and expenses to be charged to the purchaser under the administration agreement and how they are to be calculated.

(5) Disclose that copies of the administration agreement are available from the issuer on request and explain how to request a copy.

Item 5 – Trust or Other Agreement

(1) Disclose whether there is any trust or other agreement that provides for any person to make advances of the funds to the borrower and to distribute the proceeds of repayments made by the borrower.

(2) Describe the material terms of any agreement disclosed in (1), including all of the following:

- whether the purchaser is required to grant a power of attorney to the trustee and the terms of that power of attorney;
- all fees and expenses to be charged to the purchaser under the agreement;
- the specific responsibilities of all parties to the agreement, including all of the following:
  - the opening of a trust account into which all investment proceeds must be paid until advanced to the borrower and into which all proceeds received in repayment of the syndicated mortgage must be paid before distribution to the purchasers;
  - details of how payments related to the syndicated mortgage will be made;
  - the mechanism for replacing the trustee and the procedures for dispute resolution.

(3) Disclose that copies of any agreement disclosed in (1) is available from the issuer on request and explain how to request a copy.

Item 6 – Property Subject to Mortgage

Describe the details of the property subject to the mortgage, including all of the following:

- the address and legal description;
- the past, current and intended use;
- any proposed improvements;
- the date of acquisition of the property and the purchase price paid;
- the details, including the purchase price, of any other transactions involving the property known to the borrower, any related party of the borrower or any of their respective partners, directors, officers or principal holders;
- if the borrower is not the issuer of the syndicated mortgage, the details, including the purchase price, of any other transactions involving the property known to the issuer, any related party of the issuer or any of their respective partners, directors, officers or principal holders;
- any contractual arrangements relating to the property;

- any insurance policies applicable to the property and their status;
- any claims or litigation;
- any known contamination or environmental concerns;
- any other material facts.

Item 7 – Description of the Syndicated Mortgage

(1) Describe the syndicated mortgage, including all of the following:

- the material terms of the syndicated mortgage, including the principal amount, term, amortization period, interest rate, maturity date, any prepayment entitlement and the ranking of the syndicated mortgage (i.e., first, second, etc.);
- the material terms and relative priority of any other mortgages or encumbrances on the mortgaged property;
- the loan-to-value ratio of the property, calculated on an aggregate basis using the loan value of the syndicated mortgage and all other mortgages or encumbrances with priority over the syndicated mortgage and the appraised value of the property described under item 8;
- the aggregate dollar amount of the funds being raised under the offering;
- the status of the syndicated mortgage, including whether there are any arrears and, if so, the amount and due dates of outstanding payments;
- the means by which the repayments by the borrower will be distributed and the procedure for establishing the proportion to which each purchaser is entitled to share in the distribution;
- the source of funds that the borrower will use to pay interest on the syndicated mortgage, including any reserve accounts or other fund maintained by the borrower or any other person.

(2) Describe the material terms of any commitment letter, or other commitment document, that sets out the terms of the commitment to advance funds to the borrower.

(3) Disclose that copies of the commitment letter, or other commitment document, are available from the issuer on request and explain how to request a copy.

Item 8 – Appraisal

(1) Describe the most recent appraisal of the value of the property subject to the mortgage, prepared by a qualified appraiser in accordance with subsection 2.9(19.1) of National Instrument 45-106 *Prospectus Exemptions*, including all of the following:

- the methodology used;
- all assumptions made;
- any qualifications or limitations;
- the date of the valuation.

(2) Provide details of the most recent assessment of the property subject to the mortgage, including existing improvements by any provincial or municipal assessment authority.

Item 9 – Exemptions

Disclose any statutory or discretionary exemption from the registration requirement that is being relied upon by any person involved in the offering of the syndicated mortgage.

Item 10 – Guarantees or Other Similar Financial Commitments

(1) Summarize the terms of any personal covenant, guarantee or other financial commitment provided in connection with the syndicated mortgage. Explain how the personal covenant, guarantee or financial commitment works.

(2) Disclose that copies of the personal covenant, guarantee or financial commitment are available from the issuer on request and explain how to request a copy.

(3) Describe the business experience of the person providing any personal covenant, guarantee or other financial commitment.

(4) Describe the financial resources of the person providing the personal covenant, guarantee or other financial commitment. The description must allow a reasonable purchaser applying reasonable effort to understand the person's ability to meet the obligations under the personal covenant, guarantee or other financial commitment.

(5) Indicate whether the purchasers will be entitled to ongoing disclosure of the financial position of the person providing any personal covenant, guarantee or other financial commitment during the period of the personal covenant, guarantee or commitment, and the nature, verification, timing and frequency of any disclosure that will be provided to purchasers.

Item 11 – Organization of Mortgage Broker, Mortgage Brokerage or Mortgage Agency

State the laws under which any firm acting as a mortgage broker, mortgage brokerage or mortgage agency is organized and the date of formation of the mortgage broker, mortgage brokerage or mortgage agency.

Item 12 – Borrower Information

If the borrower is not the issuer of the syndicated mortgage, provide the disclosure required under items 2, 3, 4 and 12 of Form 45-106F2 *Offering Memorandum for Non-Qualifying Issuers* as if the borrower were the issuer of the syndicated mortgage.

Item 13 – Developer

If the property subject to the syndicated mortgage is being developed, state the laws under which the developer is organized and the date of formation of the developer. Describe the business of the developer and any prior experience of the developer in similar projects.

Item 14 – Mortgage Broker, Mortgage Brokerage or Mortgage Agency, Partners, Directors, Officers and Principal Holders

(1) Disclose the name, municipality of residence and principal occupation for the 5 years preceding the date of the offering memorandum of any individual mortgage broker involved in the offering and the partners, directors, officers and any principal holders of any firm acting as a mortgage broker, mortgage brokerage or mortgage agency involved in the offering.

(2) Disclose any penalty or sanction, including the reason for it and whether it is currently in effect, that has been in effect during the 10 years preceding the date of the offering memorandum, or any cease trade order that has been in effect for a period of more than 30 consecutive days during the 10 years preceding the date of the offering memorandum against any of the following:

- a mortgage broker, mortgage brokerage or mortgage agency involved in the offering;
- a director, officer or principal holder of a firm acting as a mortgage broker, mortgage brokerage or mortgage agency involved in the offering;
- any issuer of which a person referred to above was a director, officer or principal holder at the time of the penalty or sanction.

(3) Disclose any declaration of bankruptcy, voluntary assignment in bankruptcy, proposal under any bankruptcy or insolvency legislation, proceedings, arrangement or compromise with creditors or appointment of a receiver, receiver manager or trustee to hold assets that has been in effect during the 10 years preceding the date of the offering memorandum with respect to any of the following:

- a mortgage broker, mortgage brokerage or mortgage agency involved in the offering;
- a director, officer or principal holder of a firm acting as a mortgage broker, mortgage brokerage or mortgage agency involved in the offering;
- any issuer of which a person referred to above was a director, officer or principal holder at the time of the declaration, assignment, proposal, proceedings, arrangement, compromise or appointment.

Item 15 – Developer, Partners, Directors, Officers and Principal Holders

(1) Disclose the name and address of any developer of the property subject to the syndicated mortgage.

(2) Disclose any penalty or sanction, including the reason for it and whether it is currently in effect, that has been in effect during the 10 years preceding the date of the offering memorandum, or any cease trade order that has been in effect for a period of more than 30 consecutive days during the 10 years preceding the date of the offering memorandum against any of the following:

- a developer of the property subject to the syndicated mortgage;
- a director, officer or principal holder of a developer of the property subject to the syndicated mortgage;
- any issuer of which a person referred to above was a director, officer or principal holder at the time of the penalty or sanction.

(3) Disclose any declaration of bankruptcy, voluntary assignment in bankruptcy, proposal under any bankruptcy or insolvency legislation, proceedings, arrangement or compromise with creditors or appointment of a receiver, receiver manager or trustee to hold assets that has been in effect during the 10 years preceding the date of the offering memorandum with respect to any of the following:

- a developer of the property subject to the syndicated mortgage;
- a director, officer or principal holder of a developer of the property subject to the syndicated mortgage;
- any issuer of which a person referred to above was a director, officer or principal holder at the time of the declaration, assignment, proposal, proceedings, arrangement, compromise or appointment.

Item 16 – Conflicts of Interest

(1) Describe any existing or potential conflicts of interest among any of the following:

- the borrower;
- the issuer;
- a mortgage broker, mortgage brokerage or mortgage agency involved in the offering;
- a developer of the property subject to the syndicated mortgage;
- any partners, directors, officers or principal holders of the borrower, issuer, mortgage broker, mortgage brokerage or mortgage agency, or developer;
- the trustee, administrator of the mortgage, or any other person providing goods or services to the borrower, issuer, mortgage broker, mortgage brokerage or mortgage agency or developer in connection with the syndicated mortgage.

(2) Describe any direct or indirect interest in the property subject to the syndicated mortgage, the borrower or the business of the borrower held by any of the following:

- any mortgage broker, mortgage brokerage or mortgage agency, developer, trustee or administrator involved in the offering;
- a director, officer or principal holder of a person or company listed above.

Item 17 – Material Contracts

(1) To the extent not already disclosed elsewhere in the offering memorandum, give particulars of every material contract relating to the offering or the syndicated mortgage entered into or to be entered into by the borrower, issuer, mortgage broker, mortgage brokerage, mortgage agency or developer, or any related party of the foregoing, within the 2 years preceding the date of the offering memorandum, or that is still in force.

(2) Disclose that copies of the material contracts are available from the issuer on request and explain how to request a copy.

Item 18 – Disclosure of Fees Specific to the Syndicated Mortgage

(1) Disclose whether a mortgage broker, mortgage brokerage or mortgage agency has provided a disclosure statement under mortgage legislation to the borrower concerning all fees, by whatever name those fees are called, to be charged to the borrower. Disclose that copies of the disclosure statement are available from the issuer on request and explain how to request a copy.

(2) If no mortgage broker, mortgage brokerage or mortgage agency has provided a disclosure statement to the borrower, describe the fees, by whatever name those fees are called, that are to be charged to the borrower, how they are to be calculated and paid and when any person involved in the distribution is entitled to payment.

(3) Disclose all fees, by whatever name those fees are called, to be paid by the purchaser, directly or indirectly in connection with the syndicated mortgage.

Item 19 – Registration Documentation

State:

In addition to all other material and documentation reasonably requested and mutually agreed upon, the purchaser should request, either from the lawyer or notary acting on the purchaser's behalf, or from the borrower, issuer or any mortgage broker, mortgage brokerage or mortgage agency involved in the distribution, all of the following documentation after the completion of registration and disbursement of the syndicated mortgage:

- a copy of the certificate of mortgage interest or assignment of the mortgage or any other document evidencing the investment;
- a copy of a confirmation signed by any secured party with priority over the syndicated mortgage confirming the outstanding balance of its encumbrance over the property and that the borrower is not in arrears with any payments;
- written confirmation of valid insurance on the property and disclosure of the interest of the purchaser in the insurance;
- written confirmation that there are no outstanding arrears or delinquent municipal property taxes on the property;
- a state of title certificate, or equivalent, within 120 days of the date of the syndicated mortgage;
- a copy of administration agreement or trust indenture;
- a copy of any agreement the purchaser entered into in connection with the distribution of the syndicated mortgage**..**

8. This Instrument comes into force on **[December 31, 2019]**.

ANNEX D

PROPOSED CHANGES TO

COMPANION POLICY 45-106CP *PROSPECTUS EXEMPTIONS*

1. Companion Policy 45-106CP Prospectus Exemptions is changed by this Document.

2. Section 3.8 is changed by adding the following subsections:

(11) Issuer of a syndicated mortgage

The offering memorandum exemption may only be used by an issuer to distribute a security of its own issue. Accordingly, only the issuer of a syndicated mortgage may use the offering memorandum exemption to distribute the syndicated mortgage.

Where a borrower enters into a mortgage with two or more persons participating as lenders under the debt obligation secured by the mortgage, or enters into a mortgage with a view to the subsequent syndication of that mortgage to two or more purchasers, lenders or investors, the borrower is the issuer of the syndicated mortgage. Consequently, the obligations to comply with the conditions of the exemption and reporting requirements (including the filing of a report of exempt distribution) would fall on the borrower.

There may be circumstances where a person other than the borrower may be an issuer of a syndicated mortgage. For example, where an existing or committed mortgage is syndicated among lenders by a party not acting on behalf of the borrower, that party will generally be an issuer of the syndicated mortgage. The determination of the identity of the issuer, or issuers, of a syndicated mortgage will depend on the facts and circumstances of the transaction.

Where a person other than the borrower is the issuer of a syndicated mortgage, the ability of the issuer to rely on the offering memorandum exemption for the distribution of the syndicated mortgage will be dependent upon the issuer providing the required information regarding the borrower, including financial statements, in the offering memorandum. The issuer's certificate that the offering memorandum does not contain a misrepresentation will extend to any information provided about the borrower under the syndicated mortgage.

(12) Professional association

The definition of "qualified appraiser" in section 1.1 of the Instrument requires a qualified appraiser to be a member of a professional association. The Appraisal Institute of Canada, The Canadian National Association of Real Estate Appraisers and l'Ordre des évaluateurs agréés du Québec are examples of organizations that we consider to meet the definition of "professional association" in section 1.1 of the Instrument.

(13) Independent qualified appraiser for syndicated mortgages

Subsection 2.9(19) of the Instrument provides the test that the issuer of a syndicated mortgage and a qualified appraiser must apply to determine whether a qualified appraiser is independent of the issuer. The following are examples of when we would consider that a qualified appraiser is not independent. These examples are not a complete list. We would consider that a qualified appraiser is not independent of an issuer if the qualified appraiser satisfies any of the following:

(a) is an employee, insider or director of the issuer;

(b) is an employee, insider or director of a related party of the issuer;

(c) is a partner of any person in paragraph (a) or (b);

(d) holds or expects to hold securities, either directly or indirectly, of the issuer or a related party of the issuer;

(e) holds or expects to hold securities, either directly or indirectly, in another issuer that has a direct or indirect interest in the property that is the subject of the appraisal or in an adjacent property;

(f) is an employee, insider or director of another issuer that has a direct or indirect interest in the property that is the subject of the appraisal or in an adjacent property;

(g) has or expects to have, directly or indirectly, an ownership, royalty or other interest in the property that is the subject of the appraisal or in an adjacent property;

(h) has received the majority of their income, either directly or indirectly, in the three years preceding the date of the appraisal from the issuer or a related party of the issuer.

(14) Appraisals

Subsection 2.9(19.1) of the Instrument requires the issuer to deliver an appraisal of the property subject to a syndicated mortgage. The appraisal must disclose the fair market value of the property, without taking into account any proposed improvements or proposed development. The fair market value of the property, as it currently exists, is important information for prospective purchasers to understand the protection afforded by the security interest in the property subject to the syndicated mortgage in the event of a default by the borrower.**.**

3. Section 4.7 is changed by deleting the first paragraph.

4. These changes become effective on **[December 31, 2019]**.

ANNEX E

PROPOSED AMENDMENTS TO

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

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

2. Section 8.12 is amended by:

(a) replacing "In Alberta, British Columbia, Manitoba, New Brunswick, Québec and Saskatchewan, subsection (2)***" in subsection (3) with "***Subsection (2)***", and***

(b) repealing subsection (4).

3. This Instrument comes into force on **[December 31, 2019]**.

ANNEX F

PROPOSED CHANGES TO

COMPANION POLICY 31-103CP *REGISTRATION REQUIREMENTS, EXEMPTIONS AND ONGOING REGISTRANT OBLIGATIONS*

1. Companion Policy 31-103CP Registration Requirements, Exemptions and Ongoing Registrant Obligations is changed by this Document.

2. Section 3.3 is changed by adding the following to the end of Relevant securities industry experience:

In limited circumstances, relevant securities industry experience may include experience obtained during employment at a firm that has relied on a registration exemption. For example, experience obtained at a registered or licensed mortgage broker, mortgage brokerage, mortgage agency or mortgage dealer under applicable legislation may be considered relevant if the experience can be demonstrated to be relevant to the category applied for. In these circumstances, the regulator may also impose terms and conditions on the individual or the registered firm sponsoring the individual in order to limit their specific activities.**.**

3. These changes become effective on **[December 31, 2019]**.

ANNEX G

LOCAL MATTERS (ONTARIO)

Exemption for Qualified Syndicated Mortgages

In Ontario, we are proposing a registration and prospectus exemption for qualified syndicated mortgages, as set out in Schedule 1 to this Annex. The proposed definition of "qualified syndicated mortgage" is based on the definition in the amended regulations under the *Mortgage Brokerages, Lenders and Administrators Act, 2006* (the **MBLAA**) that came into force on July 1, 2018.

The proposed definition of qualified syndicated mortgage excludes a debt obligation that is incurred for the construction or development of property. Qualified syndicated mortgages are likely more similar to conventional mortgages. Accordingly, we believe that qualified syndicated mortgages do not present the same investor protection concerns that the March 2018 Proposal was intended to address.

Primary oversight for qualified syndicated mortgages will continue to be provided by the Financial Services Commission of Ontario. Accordingly, we are not proposing to require the filing or a report of exempt distribution, to require offering materials to be delivered to the Commission or to subject such materials to the requirements related to statutory rights of action in connection with the distribution of qualified syndicated mortgages under the proposed exemption.

As noted in Annex B, we believe the introduction of this exemption for qualified syndicated mortgages also addresses concerns raised by several commenters in respect of the removal of the Private Issuer Exemption for distributions of syndicated mortgages as well as several alternative exemptions that were suggested by the commenters.

Short-term Securitized Products

As detailed in the March 2018 Proposal, in Ontario, the Proposed Amendments remove the Private Issuer Exemption for the distribution of short-term securitized products to harmonize the treatment of short-term securitized products in Ontario with the other CSA jurisdictions.

Amendments to the *Securities Act* (Ontario)

Bill 177 received Royal Assent on December 14, 2017. It includes amendments to the *Securities Act* (Ontario) to remove the existing prospectus and registration exemptions for the distributions of mortgages. As a result, the amended form of the Mortgage Exemptions included in the Proposed Amendments will apply in Ontario, in the same manner as all other CSA jurisdictions. These amendments come into force on proclamation, which we expect will correspond to the time at which the Proposed Amendments come into force.

Impact on Investors

The anticipated impact on investors is set out in the attached notice. With respect to the proposed exemptions for qualified syndicated mortgages, there will be no change from the current regime under the Proposed Amendments. As these types of mortgages are likely more similar to conventional mortgages, we believe that it is appropriate for them to continue to be exempt from the prospectus and registration requirements.

Anticipated Costs and Benefits

The anticipated costs and benefits of the Proposed Amendments are set out in the attached notice. In Ontario, the anticipated costs of the Proposed Amendments will be offset by the costs of compliance with the amended regulations under the MBLAA that came into force on July 1, 2018. In particular, the requirements for an appraisal of the fair market value of a property subject to a syndicated mortgage and the supplemental disclosure requirements for the OM Exemption are similar to requirements that apply under the MBLAA to non-qualified syndicated mortgages in the absence of the Proposed Amendments.

The proposed exemptions for qualified syndicated mortgages will also decrease the expected costs of the Proposed Amendments.

Unpublished Materials

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

Authority for Proposed Amendments

In Ontario, the rule-making authority for the Proposed Amendments is as follows:

- NI 45-106: paragraph 20 of subsection 143(1) of the *Securities Act* (Ontario).
- NI 31-103: paragraph 8 of subsection 143(1) of the *Securities Act* (Ontario).

SCHEDULE 1 TO ANNEX G

PROPOSED AMENDMENTS TO

ONTARIO SECURITIES COMMISSION RULE 45-501
ONTARIO PROSPECTUS AND REGISTRATION EXEMPTIONS

1. Ontario Securities Commission Rule 45-501 Ontario Prospectus and Registration Exemptions is amended by this Instrument.

2. Section 1.1 is amended by adding the following definitions:

"qualified syndicated mortgage" means a syndicated mortgage that satisfies all of the following:

(a) the syndicated mortgage secures a debt obligation on property that satisfies all of the following:

(i) the property is used primarily for residential purposes;
(ii) the property includes no more than a total of four units;
(iii) if used for both commercial and residential purposes, the property includes no more than one unit that is used for commercial purposes;

(b) the syndicated mortgage does not secure a debt obligation incurred for the construction or development of property;

(c) at the time the syndicated mortgage is arranged, the amount of the debt it secures, together with all other debt secured by mortgages on the property that have priority over, or the same priority as, the syndicated mortgage, does not exceed 90 per cent of the fair market value of the property relating to the mortgage, excluding any value that may be attributed to proposed or pending development of the property;

(d) the syndicated mortgage is limited to one debt obligation;

(e) the rate of interest payable under the syndicated mortgage is equal to the rate of interest payable under the debt obligation;

(f) the term of the syndicated mortgage is the same as the term of the identified debt obligation;

"syndicated mortgage" means a mortgage in which two or more persons participate, directly or indirectly, as a lender in a debt obligation that is secured by the mortgage;***.***

3. Part 2 is amended by adding the following section:

2.10 Qualified syndicated mortgages – The prospectus requirement does not apply to a distribution of a qualified syndicated mortgage on real property in a jurisdiction of Canada by a person who is registered or licensed under the *Mortgage Brokerages, Lenders and Administrators Act, 2006*.***.***

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

3.5 Qualified syndicated mortgages – The dealer registration requirement does not apply in respect to a trade in a qualified syndicated mortgage on real property in a jurisdiction of Canada by a person who is registered or licensed under the *Mortgage Brokerages, Lenders and Administrators Act, 2006*.***.***

5. This Instrument comes into force on **[December 31, 2019]**.

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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:
IA Clarington Tactical Income Class
Principal Regulator – Quebec
Type and Date:
Amendment #1 to Final Simplified Prospectus dated March 12, 2019
Received on March 14, 2019
Offering Price and Description:
–
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
IA Clarington Investments Inc
Project #2766675

Issuer Name:
Franklin Strategic Income Fund
Principal Regulator – Ontario
Type and Date:
Amendment #4 to Final Simplified Prospectus and Amendment #6 to Final Annual Information Form dated March 18, 2019
Received on March 18, 2019
Offering Price and Description:
–
Underwriter(s) or Distributor(s):
Franklin Templeton Investments Corp.
Bissett Investment Management, a division of Franklin Templeton Investments Corp.
Promoter(s):
N/A
Project #2758148

Issuer Name:
PIMCO Global Short Maturity Fund (Canada)
Principal Regulator – Ontario
Type and Date:
Amendment #1 to Final Simplified Prospectus dated March 14, 2019
Received on March 14, 2019
Offering Price and Description:
–
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
PIMCO Canada Corp.
Project #2866025

Issuer Name:
Purpose MLP & Infrastructure Income Fund (formerly, Redwood MLP & Infrastructure Income Fund)
Principal Regulator – Ontario
Type and Date:
Amendment #4 to Final Simplified Prospectus dated March 15, 2019
Received on March 18, 2019
Offering Price and Description:
–
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
Purpose Investments Inc.
Project #2764789

Issuer Name:
StoneCastle Cannabis Growth Fund
Principal Regulator – Ontario
Type and Date:
Combined Preliminary and Pro Forma Simplified Prospectus dated March 11, 2019
NP 11-202 Preliminary Receipt dated March 13, 2019
Offering Price and Description:
Series XA, Series XD and Series XF Units
Underwriter(s) or Distributor(s):
Spartan Fund Management Inc.
Promoter(s):
Spartan Fund Management Inc.
Project #2884492

Issuer Name:
Sun Life Multi-Strategy Target Return Fund
Principal Regulator – Ontario
Type and Date:
Amendment #1 to Final Long Form Prospectus dated March 15, 2019
Received on March 15, 2019
Offering Price and Description:
–
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
N/A
Project #2758665

Issuer Name:
Vision Alternative Income Fund
Principal Regulator – Ontario
Type and Date:
Amended and Restated to Final Simplified Prospectus dated March 15, 2019
Received on March 15, 2019
Offering Price and Description:
–
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
Vision Capital Corporation
Project #2862242

Issuer Name:
Bright Plan
Principal Regulator – Ontario
Type and Date:
Final Long Form Prospectus dated March 12, 2019
NP 11-202 Receipt dated March 13, 2019
Offering Price and Description:
–
Underwriter(s) or Distributor(s):
C.S.T. SPARK INC.
Promoter(s):
Canadian Scholarship Trust Foundation
Project #2859523

Issuer Name:
Ninepoint High Interest Savings Fund (formerly, Ninepoint Short-Term Bond Fund)
Principal Regulator – Ontario
Type and Date:
Amendment #3 to Final Simplified Prospectus dated March 6, 2019
NP 11-202 Receipt dated March 12, 2019
Offering Price and Description:
–
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
Ninepoint Partners LP
Project #2745066

Issuer Name:
Phillips, Hager & North Bond Fund
Principal Regulator – Ontario
Type and Date:
Amendment #1 to Final Simplified Prospectus dated March 8, 2019
NP 11-202 Receipt dated March 12, 2019
Offering Price and Description:
Series A, Advisor Series, Series D, Series F and Series O units
Underwriter(s) or Distributor(s):
Phillips, Hager & North Investment Funds Ltd.
RBC Global Asset Management Inc.
Promoter(s):
RBC Global Asset Management Inc.
Project #2773191

Issuer Name:
Franklin Canadian Core Equity Fund
Franklin Emerging Markets Core Equity Fund
Franklin International Core Equity Fund
Franklin U.S. Core Equity Fund
Principal Jurisdiction – Ontario
Type and Date:
Preliminary Simplified Prospectus dated March 18, 2019
NP 11-202 Receipt dated March 19, 2019
Offering Price and Description:
Series O securities
Underwriter(s) or Distributor(s):
Franklin Templeton Investments Corp
Promoter(s):
Franklin Templeton Investments Corp.
Project #2886693

NON-INVESTMENT FUNDS

Issuer Name:
12 Exploration Inc.
Principal Regulator – Ontario
Type and Date:
Long Form Prospectus dated March 11, 2019
NP 11-202 Receipt dated March 13, 2019
Offering Price and Description:
$600,000.00 – 4,000,000 Common Shares
C$0.15 Per Common Share
Underwriter(s) or Distributor(s):
Industrial Alliance Securities Inc.
Promoter(s):
Thomas Obradovich
Project #2854859

Issuer Name:
48North Cannabis Corp.
Principal Regulator – Ontario
Type and Date:
Preliminary Short Form Prospectus dated March 18, 2019
NP 11-202 Receipt dated March 18, 2019
Offering Price and Description:
$25,000,064.00
18,382,400 Units
Price: C$1.36 per Unit
Underwriter(s) or Distributor(s):
Eight Capital
Canaccord Genuity Corp.
Promoter(s):
–
Project #2886597

Issuer Name:
Avicanna Inc.
Principal Regulator – Ontario
Type and Date:
Amended and Restated Preliminary Long Form Prospectus dated March 14, 2019
NP 11-202 Receipt dated March 15, 2019
Offering Price and Description:
A minimum of 540,484 Common Shares and 270,242 Warrants issuable without payment upon the conversion of a minimum of 540,484 Special Warrants
A maximum of 2,000,000 Common Shares and 1,000,000 Warrants issuable without payment upon the conversion of up to a maximum of 2,000,000 Special Warrants
Underwriter(s) or Distributor(s):
Sprott Capital Partners LP by its general partner, Sprott Capital Partners GP Inc.
Paradigm Capital Inc.
Promoter(s):
Aras Azadian
Kyle Langstaff
Setu Purohit
Project #2863765

Issuer Name:
Barrick Gold Corporation
Principal Regulator – Ontario
Type and Date:
Preliminary Base Shelf Prospectus dated March 13, 2019
NP 11-202 Receipt dated March 13, 2019
Offering Price and Description:
US$4,000,000.000.00
Common Shares
Debt Securities
Subscription Receipts
Warrants
Share Purchase Contracts
Units
Underwriter(s) or Distributor(s):
–
Promoter(s):
–
Project #2884880

Issuer Name:
BETT Capital Corporation
Principal Regulator – Ontario
Type and Date:
Preliminary CPC Prospectus dated March 11, 2019
NP 11-202 Receipt dated March 14, 2019
Offering Price and Description:
Minimum of $200,000.00 or 2,000,000 Common Shares
Maximum of $400,000.00 or 4,000,000 Common Shares
Price: C$0.10 per Common Share
Underwriter(s) or Distributor(s):
Hampton Securities Limited
Promoter(s):
Brian Morales
Project #2885095

Issuer Name:
Brookfield Business Partners L.P.
Principal Regulator – Ontario
Type and Date:
Base Shelf Prospectus dated March 12, 2019
NP 11-202 Receipt dated March 13, 2019
Offering Price and Description:
US$1,000,000,000.00
Limited Partnership Units
Preferred Limited Partnership Units
Subscription Receipts
Underwriter(s) or Distributor(s):
–
Promoter(s):
–
Project #2881408

Issuer Name:
Canaccord Genuity Growth II Corp.
Principal Regulator – Ontario
Type and Date:
Preliminary Long Form Prospectus dated March 14, 2019
NP 11-202 Receipt dated March 15, 2019
Offering Price and Description:
C$*.00
* Class A Restricted Voting Units
Underwriter(s) or Distributor(s):
Canaccord Genuity Corp.
Cormark Securities Inc.
Promoter(s):
CG Investments Inc. III
Project #2885572

Issuer Name:
CannTrust Holdings Inc.
Principal Regulator – Ontario
Type and Date:
Base Shelf Prospectus dated March 18, 2019
NP 11-202 Receipt dated March 18, 2019
Offering Price and Description:
$700,000,000
COMMON SHARES
WARRANTS
SUBSCRIPTION RECEIPTS
UNITS
DEBT SECURITIES
Underwriter(s) or Distributor(s):
–
Promoter(s):
–
Project #2880793

Issuer Name:
CANSORTIUM INC.
Principal Regulator – Ontario
Type and Date:
Amended and Restated Preliminary Long Form Prospectus dated March 12, 2019
NP 11-202 Preliminary Receipt dated March 13, 2019
Offering Price and Description:
$52,000,000.00 (26,000,000 Units at a price of US$2.00 per Unit)
Underwriter(s) or Distributor(s):
Paradigm Capital Inc.
Canaccord Genuity Corp.
Promoter(s):
Jose Hidalgo
Henry Batievsky
Project #2872741

Issuer Name:
Cen-ta Real Estate Ltd.
Plum Financial Planning Ltd. (formerly Gro-Net Financial Tax & Pension Planners Ltd.)
Type and Date:
(Final) Long Form Prospectus dated March 15, 2019
Receipt dated on March 18, 2019
Offering Price and Description:
–
Underwriter(s) or Distributor(s):
–
Promoter(s):
–
Project #2873746

Issuer Name:
Cortus Metals Inc.
Principal Regulator – British Columbia
Type and Date:
Preliminary CPC Prospectus dated March 15, 2019
NP 11-202 Receipt dated March 15, 2019
Offering Price and Description:
$220,000.00 – 2,200,000 Common Shares (the “Common Shares”) at C$0.10 per Common Share
Underwriter(s) or Distributor(s):
Haywood Securities Inc.
Promoter(s):
Sean Mager
Chris Beltgens
John Williamson
Jeremy Yaseniuk
James Greig
Project #2886089

Issuer Name:
Drone Delivery Canada Corp. (formerly Asher Resources Corporation)
Principal Regulator – Ontario
Type and Date:
Preliminary Short Form Prospectus dated March 12, 2019
NP 11-202 Preliminary Receipt dated March 13, 2019
Offering Price and Description:
$10,020,000.00 – 8,350,000 Units
Price: C$1.20 per Unit
Underwriter(s) or Distributor(s):
GMP Securities L.P.
Canaccord Genuity Corp.
Echelon Wealth Partners Inc.
Promoter(s):
–
Project #2882917

Issuer Name:
Exchange Income Corporation
Principal Regulator – Manitoba
Type and Date:
Preliminary Short Form Prospectus dated March 12, 2019
NP 11-202 Preliminary Receipt dated March 12, 2019
Offering Price and Description:
$75,000,000.00 – 7 Year 5.75% Convertible Unsecured Subordinated Debentures
Underwriter(s) or Distributor(s):
National Bank Financial Inc.
CIBC World Markets Inc.
Laurentian Bank Securities Inc.
Raymond James Ltd.
RBC Dominion Securities Inc.
Scotia Capital Inc.
TD Securities Inc.
BMO Nesbitt Burns Inc.
Canaccord Genuity Corp.
Wellington-Altus Private Wealth Inc.
Altacorp Capital Inc.
Cormark Securities Inc.
Industrial Alliance Securities Inc.
Macquarie Capital Markets Canada Ltd.
Promoter(s):
–
Project #2882923

Issuer Name:
First Capital Realty Inc.
Principal Regulator – Ontario
Type and Date:
Short Form Prospectus dated March 13, 2019
NP 11-202 Receipt dated March 13, 2019
Offering Price and Description:
$453,200,000.00 – 22,000,000 Common Shares (Represented by Instalment Receipts)
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
Scotia Capital Inc.
TD Securities Inc.
National Bank Financial Inc.
Canaccord Genuity Corp.
Raymond James Ltd.
Promoter(s):
–
Project #2880237

Issuer Name:
Genesis Trust II
Principal Regulator – Ontario
Type and Date:
Preliminary Base Shelf Prospectus dated March 15, 2019
NP 11-202 Receipt dated March 15, 2019
Offering Price and Description:
Up to $7,000,000,000.00 Real Estate Secured Line of Credit Backed Notes
Underwriter(s) or Distributor(s):
TD Securities Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
Desjardins Securities Inc.
National Bank Financial Inc.
RBC Dominion Securities Inc.
Scotia Capital Inc.
Promoter(s):
The Toronto Dominion Bank
Project #2886092

Issuer Name:
Midas Gold Corp.
Principal Regulator – British Columbia
Type and Date:
Preliminary Base Shelf Prospectus dated March 12, 2019
NP 11-202 Receipt dated March 12, 2019
Offering Price and Description:
$200,000,000.00 – Common Shares, Debt Securities, Warrants, Subscription Receipts, Units
Underwriter(s) or Distributor(s):
–
Promoter(s):
–
Project #2884579

North American Construction Group Ltd.
Principal Regulator – Alberta
Type and Date:
Short Form Prospectus dated March 13, 2019
NP 11-202 Receipt dated March 13, 2019
Offering Price and Description:
$55,000,000
5.00% Convertible Unsecured Subordinated Debentures
Underwriter(s) or Distributor(s):
National Bank Financial Inc.
Canaccord Genuity Corp
CIBC World Markets Inc.
RBC Dominion Securities Inc.
Scotia Capital Inc.
Raymond James Ltd.
Industrial Alliance Securities Inc.
PI Financial Corp.
Acumen Capital Finance Partners Limited
Promoter(s):
–
Project #2880577

Issuer Name:
Nova Scotia Power Incorporated
Principal Regulator – Nova Scotia
Type and Date:
Preliminary Short Form Prospectus dated March 14, 2019
NP 11-202 Receipt dated March 15, 2019
Offering Price and Description:
* Series AB Medium Term Notes Due *
(Unsecured)
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
Promoter(s):
–
Project #2885642

Issuer Name:
Standard Lithium Ltd.
Principal Regulator – British Columbia
Type and Date:
Short Form Prospectus dated March 14, 2019
NP 11-202 Receipt dated March 15, 2019
Offering Price and Description:
10,500,000 Units
$10,500,000.00
Price: C$1.00 per Unit
Underwriter(s) or Distributor(s):
Cannacord Genuity Corp.
PI Financial Corp.
Promoter(s):
–
Project #2881162

Issuer Name:
Titan Medical Inc.
Principal Regulator – Ontario
Type and Date:
Short Form Prospectus dated March 18, 2019
NP 11-202 Receipt dated March 18, 2019
Offering Price and Description:
Minimum: US $20,000,000.00 (5,882,353 Units)
Maximum: US $25,000,000.00 (7,352,941 Units)
Price: US $3.40 per Unit
Underwriter(s) or Distributor(s):
Bloom Burton Securities Inc.
Promoter(s):
–
Project #2882253

Issuer Name:
Vector REIT Inc.
Principal Regulator – British Columbia
Type and Date:
Preliminary CPC Prospectus dated March 12, 2019
NP 11-202 Receipt dated March 13, 2019
Offering Price and Description:
Offering: $200,000.00 (1,000,000 Common Shares)
Price: C$0.20 per Common Share
Underwriter(s) or Distributor(s):
Raymond James Ltd.
Promoter(s):
Fortune Forest Asset Management Ltd.
Project #2884681

Issuer Name:
Zenabis Global Inc. (formerly Bevo Agro Inc.)
Principal Regulator – British Columbia
Type and Date:
Preliminary Base Shelf Prospectus dated March 18, 2019
NP 11-202 Receipt dated March 18, 2019
Offering Price and Description:
$100,000,000.00
Common Shares
Preferred Shares
Debt Securities
Warrants
Units
Underwriter(s) or Distributor(s):
–
Promoter(s):
Manoj (Monty) Sikka
Mark Catroppa
Project #2886593

Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
Voluntary Surrender	The Funding Portal Inc.	Exempt Market Dealer	March 6, 2019
Name Change	From: SP Wealth LP To: Sightline Wealth Management LP	Investment Dealer	February 28, 2019
New Registration	IIFL Capital (Canada) Limited	Exempt Market Dealer	March 14, 2019

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Chapter 25

Other Information

25.1 Consents

25.1.1 Fire & Flower Holdings Corp. (formerly known as "Cinaport Acquisition Corp. II") – s. 4(b) of Ont. Reg. 289/00 under the OBCA

Headnote

Consent given to an offering corporation under the Business Corporations Act(Ontario) to continue under the Canada Business Corporations Act, R.S.C., 1985, c. C-44.

Statutes Cited

Canada Business Corporations Act, R.S.C. 1985, c. C-44.
Securities Act, R.S.O. 1990, c.S.5, as am.

Regulations Cited

Regulation made under the Business Corporations Act, Ont. Reg. 289/00, as am., s. 4(b)

IN THE MATTER OF
R.R.O 1990, REGULATION 289/00, AS AMENDED
(the REGULATION) MADE UNDER
THE BUSINESS CORPORATIONS ACT (ONTARIO),
R.S.O. 1990, c.B.16, AS AMENDED
(the OBCA)

AND

IN THE MATTER OF
FIRE & FLOWER HOLDINGS CORP.
(FORMERLY KNOWN AS "CINAPORT ACQUISITION CORP. II")

CONSENT
(Subsection 4(b) of the Regulation)

UPON the application of Fire & Flower Holdings Corp. (the **Applicant**) to the Ontario Securities Commission (the **Commission**) requesting the Commission's consent to the Applicant continuing in another jurisdiction pursuant to section 181 of the OBCA;

AND UPON considering the application and the recommendation of the staff of the Commission;

AND UPON the Applicant having represented to the Commission that:

1. The Applicant is an offering corporation under the OBCA. The Applicant was incorporated under the provisions of the OBCA on December 12, 2017.

2. The Applicant's common shares (the **Common Shares**) are currently listed for trading on the TSX Venture Exchange (the **TSXV**) under the symbol "CPQ.P". As at January 8, 2019, the Applicant had 15,400,000 issued and outstanding Common Shares.

3. The Applicant intends to apply to the Director pursuant to section 181 of the OBCA (the **Application for Continuance**) for authorization to continue under the *Canada Business Corporations Act*, R.S.C., 1985, c. C-44 (the **CBCA**).

4. The Applicant completed its initial public offering under Policy 2.4 of the TSXV Manual on June 6, 2018. The Applicant is a capital pool company, incorporated for the purposes of identifying and evaluating businesses or assets with a view to completing a qualifying transaction in accordance with Policy 2.4 of the TSXV Manual (the **Qualifying Transaction**).

5. The Application for Continuance is being made in connection with the Qualifying Transaction structured as a "three cornered" amalgamation involving the Applicant, Fire & Flower Inc. (**F&F**), a corporation incorporated under the laws of Canada and 11048449 Canada Inc., a wholly-owned subsidiary of the Applicant (**Subco**) incorporated under the laws of Canada, pursuant to which F&F and Subco will amalgamate and the amalgamated company will become a wholly owned subsidiary of the Applicant and the F&F shareholders will receive shares of the Applicant.

6. The material rights, duties and obligations of a corporation incorporated under the CBCA are substantially similar to those under the OBCA.

7. The Applicant is a reporting issuer under the *Securities Act*, R.S.O. 1990, c.S.5, as amended (the **Act**), the *Securities Act* (British Columbia), R.S.B.C. 1996, c.418 (the **BCSA**) and the *Securities Act* (Alberta), R.S.A. 2000, c. S-4 (together with the BCSA, the **Legislation**) and will remain a reporting issuer in these jurisdictions following the proposed Continuance.

8. The Applicant is not in default under any provisions of the OBCA, the Act or the Legislation, including the regulations made thereunder.

9. The Applicant is not a party to any proceeding under the OBCA, the Act or the Legislation.

10. The Commission is the principal regulator of the Applicant and will continue to be its principal regulator after the proposed Continuance.

11. The Applicant's registered and head office is currently in Ontario. Following the proposed Continuance, the Applicant's registered office will be 11514 Jasper Avenue Edmonton, Alberta T5K 0M8 and its head office will be 150 King Street West, Suite 208 Toronto, Ontario M5H 1J9.

12. The Applicant's management information circular dated December 27, 2018 for its annual and special meeting of shareholders held on January 30, 2019 (the Shareholders Meeting) described the proposed Continuance, disclosed the reasons for, and the implications of, the proposed Continuance. It also disclosed full particulars of the dissent rights of the Applicant's shareholders under section 185 of the OBCA.

13. The Applicant's shareholders authorized the proposed Continuance at the Shareholders Meeting by a special resolution that was approved by 100% of the votes cast; no shareholder exercised dissent rights pursuant to section 185 of the OBCA.

14. At the Shareholders Meeting, in connection with the Qualifying Transaction, the shareholders of the Applicant also approved a special resolution to change the name of the Applicant from "Cinaport Acquisition Corp. II" to "Fire & Flower Holdings Corp.".

15. Subsection 4(b) of the Regulation requires the Application for Continuance to be accompanied by a consent from the Commission.

AND UPON the Commission being satisfied that to do so would not be prejudicial to the public interest;

THE COMMISSION CONSENTS to the continuance of the Applicant under the CBCA.

DATED at Toronto, Ontario this 1st day of February 2019

"Lawrence Haber"
Commissioner
Ontario Securities Commission

"Cecilia Williams"
Commissioner
Ontario Securities Commission

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