The Ontario Securities Commission

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

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1.2.1 Sentry Investments Inc. and Sean Driscoll – s. 144

FILE NO.: 2019-33

IN THE MATTER OF
SENTRY INVESTMENTS INC. and
SEAN DRISCOLL

NOTICE OF HEARING
(Section 144 of the *Securities Act*, R.S.O. 1990, c. S.5)

PROCEEDING TYPE: Application for Variation of a Decision

HEARING DATE AND TIME: In Writing

PURPOSE

The purpose of this proceeding is to consider an Application made by CI Investments Inc. to vary the terms of an Order issued by the Commission on April 5, 2017 relating to the Settlement Agreement entered into on March 31, 2017 between Staff of the Commission and Sentry Investments Inc.

The parties have requested to proceed by written hearing pursuant to Rule 23(2) of the Commission's *Rules of Procedure and Forms*.

REPRESENTATION

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

FAILURE TO PARTICIPATE

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

FRENCH HEARING

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

AVIS EN FRANÇAIS

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

Dated at Toronto this 28th day of August, 2019

"Grace Knakowski"
Secretary to the Commission

For more information

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

1.4. Notices from the Office of the Secretary

1.4.1 Sentry Investments Inc. and Sean Driscoll

FOR IMMEDIATE RELEASE
August 28, 2019

SENTRY INVESTMENTS INC. and
SEAN DRISCOLL,
File No. 2019-33

TORONTO – On August 28, 2019, the Commission issued a Notice of Hearing pursuant to Section 144 of the *Securities Act*, R.S.O. 1990, c. S.5 to consider an Application made by CI Investments Inc. to vary the terms of an Order issued by the Commission on April 5, 2017 relating to the Settlement Agreement entered into on March 31, 2017 between Staff of the Commission and Sentry Investments Inc.

The parties have requested to proceed by written hearing pursuant to Rule 23(2) of the Commission's Rules of Procedure and Forms.

A copy of the Notice of Hearing dated August 28, 2019 and the Application dated August 23, 2019 are available at www.osc.gov.on.ca.

OFFICE OF THE SECRETARY
GRACE KNAKOWSKI
SECRETARY TO THE COMMISSION

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media_inquiries@osc.gov.on.ca

For investor inquiries:

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

1.4.2 The Toronto-Dominion Bank

FOR IMMEDIATE RELEASE
August 30, 2019

THE TORONTO-DOMINION BANK,
File No. 2019-31

TORONTO – The Commission issued an Order approving the Settlement Agreement reached between Staff of the Commission and the Toronto-Dominion Bank in the above named matter.

A copy of the Order dated August 30, 2019, Settlement Agreement dated August 23, 2019 and Oral Reasons for Approval of Settlement dated August 30, 2019 are available at www.osc.gov.on.ca.

OFFICE OF THE SECRETARY
GRACE KNAKOWSKI
SECRETARY TO THE COMMISSION

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1.4.3 Royal Bank of Canada

FOR IMMEDIATE RELEASE
August 30, 2019

ROYAL BANK OF CANADA,
File No. 2019-32

TORONTO – The Commission issued an Order approving the Settlement Agreement reached between Staff of the Commission and Royal Bank of Canada in the above named matter.

A copy of the Order dated August 30, 2019, Settlement Agreement dated August 23, 2019 and Oral Reasons for Approval of Settlement dated August 30, 2019 are available at www.osc.gov.on.ca.

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Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 Purpose Investments Inc. et al.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – relief granted from the single custodian requirement to permit the use of more than one custodian for securities lending purposes only – relief is required to appoint a securities lending agent that is not a custodian or sub-custodian of the funds – the funds will have a single administrator that will reconcile all the portfolio assets of the funds and provide valuation services – the other custodian will meet all the Part 6 requirements of National Instrument 81-102 Investment Funds – the other custodian will only act as custodian and securities lending agent for in demand securities of the funds transferred to them – exemptive relief granted from subsection 6.1(1) of National Instrument 81-102 Investment Funds.

Applicable Legislative Provisions

National Instrument 81-102 Investment Funds, ss. 6.1(1) and 19.1.

August 23, 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
PURPOSE INVESTMENTS INC.
(the Filer)

AND

IN THE MATTER OF
PURPOSE MARIJUANA OPPORTUNITIES FUND,
PURPOSE GLOBAL INNOVATORS FUND,
PURPOSE STRATEGIC YIELD FUND,
PURPOSE MULTI-ASSET INCOME FUND,
PURPOSE ENERGY CREDIT FUND
(the Existing Funds)

DECISION

1. Background

The principal regulator in the Jurisdiction has received an application (the **Application**) from the Filer on behalf of the Existing Funds and similarly structured investment funds managed by the Filer (the **Future Funds**, and collectively, with the Existing Funds, the Funds) for a decision under the securities legislation of the Jurisdiction (the Legislation) that exempts the Funds from subsection 6.1(1) of National Instrument 81-102 *Investment Funds* (**NI 81-102**) to permit the Funds to appoint two custodians, each of which satisfies the requirements of section 6.2 of NI 81-102, subject to certain conditions proposed in this Application (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 the 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 all of the provinces and territories of Canada other than Ontario (together with Ontario, the Jurisdictions).

2. 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. In addition, the following terms have the following meanings:

(a) **Administrator** means CIBC Mellon Global Securities Services Company or any successor.

(b) **AIF** means the annual information form of each Fund.

(c) **Custodian Agreement** means the custodian agreement dated as of August 8, 2013, as amended from time to time (or any successor agreement), among CIBC Mellon Trust Company, as custodian and the Filer, as trustee and manager of various Purpose Funds, including the Existing Funds.

(d) **Fund Administration Agreement** means the fund administration agreement dated as of February 12, 2013, as amended from time to time, between the fund administrator, and the Filer, as trustee and manager of various Purpose Funds, including the Existing Funds, or any other agreement between the Filer, as trustee and manager of one or more Funds, and the Administrator, in respect of such Funds.

(e) **IIROC** means the Investment Industry Regulatory Organization of Canada.

(f) **In Demand Security** and **In Demand Securities** each have the meaning given to it in representation 9.

(g) **Purpose Funds** means investment funds in respect of which the Filer acts as an investment fund manager and/or portfolio manager.

(h) **Prospectus** means the simplified prospectus of each Fund.

(i) **Securities Lending Agreements** means agreements which effect securities lending, repurchase or reverse repurchase transactions between each Fund, as lender of the securities, third party borrowers, and the securities lending agent of the Fund.

Unless otherwise specified, all references to money amounts are to the lawful currency of Canada.

3. Representations

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

The Filer

1. The Filer is a corporation amalgamated under the laws of the Province of Ontario.

2. The registered office of the Filer is located at 130 Adelaide Street West, 31st Floor, Toronto, Ontario.

3. The Filer is registered as an investment fund manager, portfolio manager and an exempt market dealer under the *Securities Act* (Ontario).

4. The Filer is the trustee and/or manager of the Funds.

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

The Funds

6. The Funds are or will be reporting issuers under the laws of all of the Jurisdictions.

7. The Funds offer or will offer their units or shares in the Jurisdictions pursuant to the Prospectus and AIF of the Funds, as applicable.

8. The Existing Funds are not in default of securities legislation in any of the Jurisdictions.

Investment Objectives and Investment Strategies of the Funds

9. The investment objectives and strategies of the Existing Funds, as noted below, and the Future Funds focus or may focus on industries, sectors and strategies which include smaller capitalization issuers, more volatile and less liquid securities than the majority of the Purpose Funds. As a result, the portfolios of these Funds include a significant number of securities which may from time to time be in demand by short sellers (each an **In Demand Security**, and collectively, **In Demand Securities**) who wish to borrow such securities.

10. The investment objective of Purpose Marijuana Opportunities Fund is to provide unitholders with attractive long-term capital appreciation by investing in global issuers with interest in the marijuana or marijuana related industries.

11. Purpose Marijuana Opportunities Fund will primarily invest in equity securities from domestic and global issuers that are involved in marijuana and marijuana related businesses, including research and development and other ancillary businesses to the marijuana industry. The business activities of these companies may include marijuana production and distribution, edible and infused marijuana products, hemp products, consumption devices, biopharmaceuticals, biotechnology, nutraceuticals, real estate, technology, security solutions, investing and financing, delivery systems, retail distribution, media, entertainment and technology. The number of holdings and percentages by region will vary over time and will be based on the most attractive risk/reward opportunities across each region. Purpose Marijuana Opportunities Fund may invest in various types of securities of companies in domestic and/or international markets, including, but not limited to, common shares, ADRs, preferred shares, convertible securities, debt securities, subscription receipts, options and warrants.

12. The investment objective of Purpose Global Innovators Fund is to provide shareholders with long term capital growth through the selection, management and strategic sector rotation and trading of global positions in equity, debt and derivative securities. Purpose Global Innovators Fund may have exposure to all sectors of the economy, with the ability to focus its assets in specific industry sectors and asset classes based on analysis of business cycles, industry sectors and market outlook. Purpose Global Innovators Fund will be global in nature and invest in small, medium and large cap companies.

13. Purpose Global Innovators Fund will examine macroeconomic events that result in shifts in behaviour and supply and demand in the market in both traditional and new industries. In traditional industries such as oil and gas and mining, Purpose Global Innovators Fund will focus on investing in companies with emerging technologies and new discoveries that improve and enhance operations and productivity but may consider other investment factors such as cash flow and liquidity requirements, hold periods and restrictions, risk factors, stop-loss containment and tax efficient distributions.

14. The investment objective of Purpose Strategic Yield Fund is to provide investors with a high yield by investing primarily in, or obtaining exposure primarily to, fixed income securities of corporate issuers located in Canada or the United States. Investments in fixed income securities generally will be below investment grade.

15. Purpose Strategic Yield Fund will invest in an actively managed portfolio comprised primarily of Canadian and U.S. dollar denominated high yield debt securities, convertible bonds and loans and also may invest in any other yield-based security or asset class that develops over time. Purpose Strategic Yield Fund seeks to select securities based on their expected return relative to risk characteristics, taking into consideration factors such as industry attractiveness, issuer credit quality, yield, duration and call protection. Purpose Strategic Yield Fund seeks to maintain a portfolio diversified by company, market capitalization, sector, industry, credit rating and, where appropriate, region. To a lesser extent, Purpose Strategic Yield Fund may invest in other types of fixed income securities and dividend-paying common shares. Purpose Strategic Yield Fund may hold other equity securities from time to time resulting from the conversion or restructuring of Purpose Strategic Yield Fund's other investments, and may take short positions in equity securities as a hedge for Purpose Strategic Yield Fund's long positions in convertible bonds of such issuers. Purpose Strategic Yield Fund may hold Canadian or U.S. government debt and/or cash equivalents may be held from time to time as market conditions dictate. There is no limit on the percentage of the Purpose Strategic Yield Fund's assets that may be invested outside Canada.

16. The investment objective of Purpose Multi-Asset Income Fund is to provide shareholders with (i) long-term capital appreciation through investment in a portfolio of high quality North American dividend-paying equity securities; and (ii) monthly distributions.

17. Purpose Multi-Asset Income Fund can invest up to 100% of its assets in foreign securities. Income-producing securities may include, but are not limited to, equity securities, common and preferred shares, real estate investment trusts, convertible securities, investment grade fixed income securities, higher yielding, lower quality fixed income securities, floating rate debt instruments and asset-backed securities and mortgage-backed securities. Purpose Multi-Asset Income Fund can invest in these securities either directly or indirectly through investments in underlying funds.

18. The investment objective of Purpose Energy Credit Fund is to provide unitholders with (i) a stable stream of monthly distributions and (ii) the opportunity for growth in the net asset value per unit.

19. Under normal market conditions, Purpose Energy Credit Fund will invest at least 75% of its net assets in debt securities issued by energy and alternative energy companies. Energy and alternative energy related companies include companies involved in the ownership, exploration, development, production or supply of energy, as well as issuers that service such industries. Purpose Energy Credit Fund will at all times invest in accordance with the requirements of NI 81-102. Purpose Energy Credit Fund may hold cash for strategic reasons.

Custodian of the Funds

20. CIBC Mellon Trust Company (CIBC Mellon) acts as custodian of the Funds' assets pursuant to the terms of the Custodian Agreement which complies with all of the requirements in Part 6 of NI 81-102. CIBC Mellon will only be responsible for the assets of the Funds that are held directly by it, its affiliates or appointed sub-custodians.

21. CIBC Mellon acts as the custodian of numerous Purpose Funds under the Custodian Agreement.

22. CIBC Mellon Global Securities Services Company, an affiliate of CIBC Mellon, acts as Administrator of the Purpose Funds and, in such capacity, provides the Purpose Funds with valuation and unitholder recordkeeping services, in accordance with the Fund Administration Agreement. In the course of performing its services under the Fund Administration Agreement, the Administrator completes a daily reconciliation of the cash and securities positions of each Fund, under the supervision of the Filer.

Securities Lending

23. The Funds have engaged CIBC Mellon as their securities lending agent to enter into Securities Lending Agreements under which the Funds lend portfolio securities to borrowers, and such borrowers pay the Funds securities borrowing fees which represent additional revenues for the Funds and enhance returns to their securityholders.

24. CIBC Mellon acts as custodian and securities lending agent for other third party investment funds which have similar investment objectives and strategies to the Existing Funds, and hold portfolios of securities for the third party investment funds that include In Demand Securities (the **Other Funds**).

25. CIBC Mellon, as securities lending agent for the Funds and the Other Funds, pools the In Demand Securities of the Funds and the Other Funds and lends them to borrowers on a pro rata basis. Consequently, when a borrower seeks a particular In Demand Security from CIBC Mellon, a relatively small portion of the total number of such securities lent by CIBC Mellon are owned by the Funds, and accordingly only a portion of the securities lending revenues generated from such transactions are payable to the Funds.

26. National Bank Financial Inc. (**NBF**) acts as custodian of certain Purpose Funds.

27. NBF has indicated to the Filer that it is prepared to act as securities lending agent of the Funds. The Filer expects that NBF will be able to lend more of the Funds' In Demand Securities than CIBC Mellon is lending under the Funds' current securities lending arrangements.

28. NBF is a member of IIROC, is a wholly-owned subsidiary of National Bank of Canada, a Schedule I Bank, and is qualified to act as a custodian and sub-custodian of the Funds in accordance with subsection 6.2(3) of NI 81-102.

29. NBF is not in default of securities legislation is any of the Jurisdictions.

30. Subsection 6.8(5) of NI 81-102 provides that the Funds may deliver portfolio assets in satisfaction of its obligations under Securities Lending Agreements if the collateral, cash proceeds or purchased securities that are delivered to the Funds in connection with such transactions are held under the custodianship of CIBC Mellon, as custodian, or a sub-custodian of the Funds. Therefore, in order to act as the Funds' securities lending agent, NBF must be appointed as a sub-custodian of the Funds.

31. CIBC Mellon is unwilling or unable to appoint NBF as a sub-custodian of the Funds because NBF is not currently on CIBC Mellon's approved list of sub-custodians. CIBC Mellon is unwilling or unable to complete the process which would be required to approve NBF as a sub-custodian.

32. The Filer believes that if the Funds were permitted to engage NBF as an additional securities lending agent for some of the Funds' portfolio securities, significant incremental revenues would be generated which would enhance the returns of the Funds for the benefit of their securityholders.

33. The Filer has a meaningful business relationship with CIBC Mellon and the Administrator and does not want to terminate CIBC Mellon as the custodian of the Funds or the Administrator as the administrator of the Funds.

34. The Filer has applied for the Requested Relief in order to permit the appointment of NBF as a second custodian of the Funds. NBF's responsibility for custody of the Funds' assets will apply only to the In Demand Securities transferred to NBF by the Funds. The custodial arrangements between the Funds and NBF will comply with all of Part 6 of NI 81-102, other than subsection 6.1(1).

35. Upon receipt of the Requested Relief, both NBF and CIBC Mellon will safeguard the assets of the Funds in their custody in accordance with the standard of care applicable to qualified custodians under section 6.6 of NI 81-102.

36. Upon receipt of the Requested Relief, the Administrator will continue to act as the sole fund administrator of the Funds. The Administrator's daily reconciliation of the cash and securities positions of the Funds will include an automated reconciliation of daily securities and cash position records delivered by both CIBC Mellon and NBF to the Administrator. The final net asset value of the Funds calculated on each business day will reflect the positions of the Funds after this reconciliation process is complete.

37. Upon receipt of the Requested Relief, the Filer will amend the Prospectus and AIF of the Existing Funds to include disclosure regarding the Requested Relief and particulars of the appointment of NBF as the custodian of the Existing Funds with respect to the In Demand Securities transferred to NBF by the Existing Funds.

4. 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) a single entity reconciles all the portfolio assets of the Funds and provides the Funds with valuation services;

(b) the Filer will maintain such operational systems and processes, as between the two custodians and the single entity referred to in clause (a), in order to keep a proper reconciliation of all the portfolio assets, including the In Demand Securities, that will move between the two custodians, as appropriate; and

(c) the second custodian will act as custodian and securities lending agent only for the portion of In Demand Securities of the Funds transferred to it.

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

2.1.2 Canoe Financial LP et al.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Exemptive relief from seed capital requirement, investment risk classification methodology requirement, and prospectus, fund facts and sales communication disclosure requirements to permit a continuing fund to use certain disclosure of a terminating fund, and to calculate investment risk level using performance history of terminating fund – National Instrument 81-101 Mutual Fund Prospectus Disclosure, National Instrument 81-102 Investment Funds.

Applicable Legislative Provisions

National Instrument 81-101 Mutual Fund Prospectus Disclosure, ss. 2.1 and 6.1.
National Instrument 81-102 Investment Funds, ss. 3.1, 15.3(2), 15.6(1)(a)(i)(A), 15.6(1)(b), 15.6(1)(d)(i), 15.8(2)(a) and 15.8(3)(a), 15.9(2), 15.1.1 and 19.1.

Citation: Re Canoe Financial LP, 2019 ABASC 124

August 6, 2019

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

AND

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

AND

IN THE MATTER OF
CANOE FINANCIAL LP
(THE FILER)

AND

CANOE CANADIAN SMALL MID CAP FUND (THE TERMINATING FUND),
CANOE CANADIAN SMALL MID CAP PORTFOLIO CLASS
(THE CONTINUING FUND, AND TOGETHER WITH THE TERMINATING FUND, THE FUNDS)

DECISION

Background

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

(a) section 3.1 of National Instrument 81-102 *Investment Funds* (**NI 81-102**) to permit the filing of a simplified prospectus for the Continuing Fund (the **Simplified Prospectus**), notwithstanding that the initial investment required in respect of the Continuing Fund (the **Seed Capital Requirement**) will not be provided (the **Seed Capital Relief**);

(b) section 2.1 of National Instrument 81-101 *Mutual Fund Prospectus Disclosure* (**NI 81-101**) for the purposes of the exemption sought from Form 81-101F1 Contents of Simplified Prospectus (**Form 81-101F1**) and for the purposes of the exemption sought from Form 81-101F3 *Contents of Fund Facts Document* (**Form 81-101F3**);

(i) Item 5(b) of Part B of Form 81-101F1 to permit the Continuing Fund to disclose the series start dates of the Terminating Fund as its series start dates in the Simplified Prospectus;

(ii) Item 9.1(b) of Part B of Form 81-101F1 to permit the Continuing Fund to use the performance history of the Terminating Fund to calculate its investment risk rating in the Simplified Prospectus;

(iii) Item 13.2 of Part B of Form 81-101F1 to permit the Continuing Fund to use the financial data of the Terminating Fund in making the calculation required under the subheading "Fund Expenses Indirectly Borne by Investors" in the Simplified Prospectus;

(iv) Item 2 of Part I of Form 81-101F3 to permit the Continuing Fund to use the start date of each series of the Terminating Fund in the "Date series started" box of the Quick Facts table in the fund facts documents of each series of the Continuing Fund (the **Fund Facts Documents**);

(v) Item 3 of Part I of Form 81-101F3 to permit the Continuing Fund to show the investments of the Terminating Fund in the "Top 10 investments" and "Investment mix" tables in the Continuing Fund's initial Fund Facts Documents;

(vi) Item 4 of Part I of Form 81-101F3 to permit the Continuing Fund to use the performance history of the Terminating Fund to calculate its investment risk rating in the Fund Facts Documents;

(vii) Item 5 of Part I of Form 81-101F3 to permit the Continuing Fund to use the performance data of the Terminating Fund in the "Average return", "Year-by-year returns" and "Best and worst 3-month returns" sections in the Fund Facts Documents; and

(viii) Item 1.3 of Part II of Form 81-101F3 to permit the Continuing Fund to use the management expense ratio (the **MER**), trading expense ratio (the **TER**) and fund expenses of the Terminating Fund in the "Fund expenses" section of the Fund Facts Documents;

(c) sections 15.3(2), 15.6(1)(a)(i)(A), 15.6(1)(b), 15.6(1)(d)(i), 15.8(2)(a), 15.8(3)(a) and 15.9(2) of NI 81-102 to permit the Continuing Fund to use the performance data of the Terminating Fund in sales communications and reports to securityholders of the Continuing Fund (collectively, the **Fund Communications**); and

(d) section 15.1.1 of NI 81-102 to permit the Continuing Fund to calculate its investment risk level using the performance history of the Terminating Fund (together with paragraphs (b) and (c) above, the **Past Performance Relief**, and together with the Seed Capital Relief, the **Exemption Sought**).

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

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

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

The Filer and the Funds

1. The Filer is a limited partnership established under the laws of Alberta. The general partner of the Filer is Canoe Financial Corp., a corporation incorporated under the laws of Alberta. The Filer's head office is located in Calgary, Alberta.

2. The Filer is registered as an investment fund manager in Alberta, Ontario, Québec and Newfoundland and Labrador, a portfolio manager in Alberta, Ontario and Québec and an exempt market dealer in each jurisdiction of Canada. The Filer is also registered as a derivatives portfolio manager in Québec.

3. The Filer is the investment fund manager of the Terminating Fund and will be the investment fund manager of the Continuing Fund once it is created.

4. The Terminating Fund is an open-ended mutual fund trust governed by a master declaration of trust under the laws of Alberta. The Continuing Fund will form part of Canoe's portfolio class structure, and will consist of: (i) an investment in Canoe Canadian Small Mid Cap Class, being a share class of an open-ended mutual fund corporation called Canoe 'GO CANADA!' Fund Corp.; and (ii) units of Canoe Trust Fund.

5. Securities of the Terminating Fund are qualified for sale in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Nova Scotia and Yukon under an amended and restated simplified prospectus, annual information form and fund facts documents, each dated March 1, 2019, prepared in accordance with the requirements of NI 81-101.

6. The Terminating Fund is a reporting issuer under the applicable securities legislation of each jurisdiction of Canada, is subject to NI 81-102 and has been a reporting issuer for more than 12 months.

7. The Filer has filed a preliminary simplified prospectus, annual information form and fund facts documents each dated June 20, 2019, with respect to the Continuing Fund. The Filer will not begin distributing securities of the Continuing Fund prior to the Merger (as defined below).

8. The Continuing Fund is expected to be a reporting issuer under the applicable securities legislation of each jurisdiction of Canada and is expected to be subject to NI 81-102.

9. Neither the Filer nor the Funds are in default of securities legislation in any jurisdiction in Canada.

10. The Terminating Fund follows, and the Continuing Fund will follow, the standard investment restrictions and practices established under NI 81-102, except pursuant to the terms of any exemption that has been previously obtained.

The Merger

11. The Filer proposes to merge the Terminating Fund into the Continuing Fund (the **Merger**) on or about August 12, 2019 and no later than December 31, 2019 (the **Merger Date**).

12. Information regarding net assets (as of May 28, 2019), series offered and series start dates for the Terminating Fund are as follows:

Net assets	Series currently offered by the Terminating Fund	Date first offered for sale	Equivalent series to be offered by the Continuing Fund
$225,977,932	Series A	April 30, 2009	Series A
	Series D	November 22, 1985	Series D
	Series F	August 26, 2011	Series F
	Series FV[1]	September 22, 2014	Series FV[2]
	Series OX	July 13, 2001	Series O

13. The Terminating Fund will be terminated on or about the Merger Date and will be wound up as soon as reasonably possible following the Merger Date, and in any event, no later than 60 days following the Merger Date.

14. The Continuing Fund is being created for the purpose of implementing the Merger, and therefore:

[1] Not available for purchase.
[2] This series will be created solely to facilitate the Merger and will not be available for purchase following the Merger.

(a) the securityholders of the Terminating Fund will have rights as securityholders of the Continuing Fund that are substantially similar in all material respects to the rights they had as securityholders of the Terminating Fund;

(b) the securityholders of the Terminating Fund will hold securities of the equivalent series of the Continuing Fund with the same aggregate net asset value as they held before as securityholders of the Terminating Fund;

(c) the Continuing Fund will have an investment objective and investment strategies that are identical to the investment objective and investment strategies of the Terminating Fund;

(d) the portfolio manager and sub-advisor of the Terminating Fund are the Filer and Fiera Capital Corporation (**Fiera Capital**), respectively, and the Filer and Fiera Capital will also be the portfolio manager and sub-advisor, respectively, of the Continuing Fund;

(e) the Continuing Fund will have valuation procedures that are identical to the valuation procedures of the Terminating Fund; and

(f) the management fees attached to each series of the Continuing Fund will be the same as the management fees for each corresponding series of the Terminating Fund. However, the Terminating Fund uses a floating expense model whereas the Continuing Fund will have a fixed administration fee plus certain fund costs that are chargeable to the Continuing Fund. Notwithstanding the difference in expense structures, the Filer believes that the MER of the Continuing Fund will be similar to the most recent MER of the Terminating Fund.

15. As a result, notwithstanding the Merger, the Continuing Fund will be managed in a manner which is substantially similar in all material respects to the manner in which the Terminating Fund has been managed.

Seed Capital Relief

16. The Filer does not intend to subscribe for $150,000 of securities of the Continuing Fund as required by the Seed Capital Requirement because the assets of the Terminating Fund (which will become the assets of the Continuing Fund in connection with the implementation of the Merger) are significantly in excess of the $150,000 Seed Capital Requirement. Accordingly, the Filer is of the view that any seed capital injected into the Continuing Fund prior to the Merger will not provide any additional benefit to securityholders.

17. On the Merger Date, securityholders of the Continuing Fund will hold securities of the Continuing Fund equal to the same net asset value as they did before as securityholders of the Terminating Fund, and therefore, the Continuing Fund will have already received subscriptions which, as of May 28, 2019, total approximately $225 million.

Past Performance Relief

18. Subject to receipt of the Seed Capital Relief, the Continuing Fund will not have any assets (other than a nominal amount to establish the Continuing Fund) or liabilities at the time of the Merger.

19. The assets of the Terminating Fund will be transferred to the Continuing Fund in connection with the implementation of the Merger.

20. As the Filer intends to cease distribution of units of the Terminating Fund at the close of business on the business day prior to the Merger Date, it does not intend to renew the Terminating Fund's simplified prospectus and annual information form after their lapse date.

21. The Continuing Fund will be a new fund. While the Continuing Fund will have the same assets and liabilities as the Terminating Fund, as a new fund, it will not have its own financial data and performance history (collectively, the Financial Data) as at the Merger Date.

22. The Financial Data of the Terminating Fund is significant information which can assist investors in determining whether to purchase securities of the Continuing Fund. In the absence of the Past Performance Relief, investors will have no financial or performance information (such as past performance) on which to base such an investment decision.

23. The Filer proposes to:

(a) disclose the series start dates of the Terminating Fund as the series start dates of the Continuing Fund in:

(i) the “Fund Details” table in Part B of the Simplified Prospectus; and

(ii) under the subheading “Date series started” under the heading “Quick Facts” in the Fund Facts Documents;

(b) use the performance data of the Terminating Fund to calculate the risk rating of the Continuing Fund in the:

(i) Simplified Prospectus; and

(ii) Fund Facts Documents;

(c) use the performance data of the Terminating Fund in the:

(i) Fund Communications; and

(ii) the “Average return”, “Year-by-year returns” and “Best and worst 3-month returns” subsections of the Fund Facts Documents;

(d) use the MER of the Terminating Fund in making the calculation required under the subheading “Fund Expenses Indirectly Borne by Investors” in Part B of the Simplified Prospectus;

(e) show the investments of the Terminating Fund in the “Top 10 investments” and “Investment mix” tables in the initial Fund Facts Documents;

(f) use the MER, TER and fund expenses of the Terminating Fund in the “Fund expenses” section of the Fund Facts Documents; and

(g) incorporate by reference into the Simplified Prospectus the most recent annual financial statements and management reports of fund performance (**MRFPs**) of the Terminating Fund for the period ended March 31, 2019, and the most recent interim financial statements and MRFP of the Terminating Fund for the period ended September 30, 2018 (collectively, the **Terminating Fund Disclosure**), until such Terminating Fund Disclosure is superseded by more current financial statements and MRFPs of the Continuing Fund.

24. The Filer is seeking to make the Merger as seamless as possible for investors of the Terminating Fund. Accordingly, the Filer submits that treating the Continuing Fund as fungible with the Terminating Fund for the purposes of the start dates, investment holdings and Financial Data would be beneficial to investors and that to do otherwise would cause unnecessary confusion among investors concerning the difference between the Terminating Fund and the Continuing Fund.

25. The Filer submits that investors will not be misled if the start dates, investment holdings and Financial Data of the Continuing Fund reflect the start dates, investment holdings and Financial Data of the Terminating Fund.

26. The Filer has filed a separate application for exemptive relief from certain provisions of National Instrument 81-106 Investment Fund Continuous Disclosure to permit the Continuing Fund to prepare annual and interim MRFPs using the Terminating Fund's financial highlights and past performance (the **NI 81-106 Relief**).

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, in respect of the Past Performance Relief:

(a) the Fund Communications include the applicable performance data of the Terminating Fund prepared in accordance with Part 15 of NI 81-102;

(b) the Simplified Prospectus:

(i) incorporates by reference the Terminating Fund Disclosure, until such Terminating Fund Disclosure is superseded by more current financial statements and MRFPs of the Continuing Fund;

(ii) states that the start date for each series of the Continuing Fund is the start date of the corresponding series of the Terminating Fund; and

(iii) discloses the Merger where the start date for each series of the Continuing Fund is stated;

(c) the Fund Facts Document of each series of the Continuing Fund:

(i) states that the "Date series started" date is the "Date series started" date of the corresponding series of the Terminating Fund;

(ii) includes the performance data of the Terminating Fund prepared in accordance with Part 15 of NI 81-102; and

(iii) discloses the Merger where the "Date series started" date is stated; and

(d) the Continuing Fund prepares its MRFPs in accordance with the NI 81-106 Relief.

For the Commission:

"Tom Cotter"
Vice-Chair

"Kari Horn"
Vice-Chair

2.1.3 Canoe Financial LP et al.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Exemptive relief from management report of fund performance disclosure requirements to permit a continuing fund to use certain disclosure of a terminating fund – National Instrument 81-106 Investment Fund Continuous Disclosure.

Applicable Legislative Provisions

National Instrument 81-106 Investment Fund Continuous Disclosure, ss. 4.4 and 17.1.

Citation: Re Canoe Financial LP, 2019 ABASC 125

August 6, 2019

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

AND

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

IN THE MATTER OF
CANOE FINANCIAL LP
(THE FILER)

AND

CANOE CANADIAN SMALL MID CAP FUND (THE TERMINATING FUND)
CANOE CANADIAN SMALL MID CAP PORTFOLIO CLASS
(THE CONTINUING FUND, AND TOGETHER WITH THE TERMINATING FUND, THE FUNDS)

DECISION

Background

The securities regulatory authority or regulator in each of the Jurisdictions (each, a **Decision Maker**) has received an application from the Filer on behalf of the Funds for a decision under the securities legislation of the Jurisdictions (the Legislation) granting an exemption from the following provisions of the Legislation to enable the Continuing Fund to include in its annual and interim management reports of fund performance (**MRFPs**) the performance data and information derived from the financial statements and other financial information (collectively, **the Financial Data**) of the Terminating Fund:

(a) section 4.4 of National Instrument 81-106 *Investment Fund Continuous Disclosure* for the relief requested from Form 81-106F1 *Contents of Annual and Interim Management Report of Fund Performance* (**Form 81-106F1**) to permit the Continuing Fund to use the Financial Data of the Terminating Fund, as follows:

(i) Items 3.1(1), 3.1(7), 3.1(7.1) and 3.1(8) of Part B of Form 81-106F1 to permit the Continuing Fund to use the financial highlights of the Terminating Fund in its Form 81-106F1;

(ii) Items 4.1(1), 4.1(2), 4.2(1), 4.2(2), 4.3(1)(a) and 4.3(1)(b) of Part B of Form 81-106F1 to permit the Continuing Fund to use the past performance data of the Terminating Fund in its Form 81-106F1; and

(iii) Items 3(1) and 4 of Part C of Form 81-106F1 to permit the Continuing Fund to use the financial highlights and past performance data of the Terminating Fund in its Form 81-106F1

(collectively, the Exemption Sought).

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

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

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

The Filer and the Funds

1. The Filer is a limited partnership established under the laws of Alberta. The general partner of the Filer is Canoe Financial Corp., a corporation incorporated under the laws of Alberta. The Filer's head office is located in Calgary, Alberta.

2. The Filer is registered as an investment fund manager in Alberta, Ontario, Québec and Newfoundland and Labrador, a portfolio manager in Alberta, Ontario and Québec and an exempt market dealer in each jurisdiction of Canada. The Filer is also registered as a derivatives portfolio manager in Québec.

3. The Filer is the investment fund manager of the Terminating Fund and will be the investment fund manager of the Continuing Fund once it is created.

4. The Terminating Fund is an open-ended mutual fund trust governed by a master declaration of trust under the laws of Alberta. The Continuing Fund will form part of Canoe's portfolio class structure, and will consist of: (i) an investment in Canoe Canadian Small Mid Cap Class, being a share class of an open-ended mutual fund corporation called Canoe 'GO CANADA!' Fund Corp.; and (ii) units of Canoe Trust Fund.

5. Securities of the Terminating Fund are qualified for sale in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Nova Scotia and Yukon under an amended and restated simplified prospectus, annual information form and fund facts documents, each dated March 1, 2019, prepared in accordance with the requirements of National Instrument 81-101 Mutual Fund Prospectus Disclosure (NI 81-101).

6. The Terminating Fund is a reporting issuer under the applicable securities legislation of each jurisdiction of Canada, is subject to National Instrument 81-102 Investment Funds (NI 81-102) and has been a reporting issuer for more than 12 months.

7. The Filer has filed a preliminary simplified prospectus, annual information form and fund facts documents each dated June 20, 2019, with respect to the Continuing Fund. The Filer will not begin distributing securities of the Continuing Fund prior to the Merger (as defined below).

8. The Continuing Fund is expected to be a reporting issuer under the applicable securities legislation of each jurisdiction of Canada and is expected to be subject to NI 81-102.

9. Neither the Filer nor the Funds are in default of securities legislation in any jurisdiction in Canada.

10. The Terminating Fund follows, and the Continuing Fund will follow, the standard investment restrictions and practices established under NI 81-102, except pursuant to the terms of any exemption that has been previously obtained.

The Merger

11. The Filer proposes to merge the Terminating Fund into the Continuing Fund (the Merger) on or about August 12, 2019 and no later than December 31, 2019 (the Merger Date).

12. Information regarding net assets (as of May 28, 2019), series offered and series start dates for the Terminating Fund are as follows:

Net assets	Series currently offered by the Terminating Fund	Date first offered for sale	Equivalent series to be offered by the Continuing Fund
$225,977,932	Series A	April 30, 2009	Series A
	Series D	November 22, 1985	Series D
	Series F	August 26, 2011	Series F
	Series FV[1]	September 22, 2014	Series FV[2]
	Series OX	July 13, 2001	Series O

13. The Terminating Fund will be terminated on or about the Merger Date and will be wound up as soon as reasonably possible following the Merger Date, and in any event, no later than 60 days following the Merger Date.

14. The Continuing Fund is being created for the purpose of implementing the Merger, and therefore:

    (a) the securityholders of the Terminating Fund will have rights as securityholders of the Continuing Fund that are substantially similar in all material respects to the rights they had as securityholders of the Terminating Fund;

    (b) the securityholders of the Terminating Fund will hold securities of the equivalent series of the Continuing Fund with the same aggregate net asset value as they held before as securityholders of the Terminating Fund;

    (c) the Continuing Fund will have an investment objective and investment strategies that are identical to the investment objective and investment strategies of the Terminating Fund;

    (d) the portfolio manager and sub-advisor of the Terminating Fund are the Filer and Fiera Capital Corporation (**Fiera Capital**), respectively, and the Filer and Fiera Capital will also be the portfolio manager and sub-advisor, respectively, of the Continuing Fund;

    (e) the Continuing Fund will have valuation procedures that are identical to the valuation procedures of the Terminating Fund; and

    (f) the management fees attached to each series of the Continuing Fund will be the same as the management fees for each corresponding series of the Terminating Fund. However, the Terminating Fund uses a floating expense model whereas the Continuing Fund will have a fixed administration fee plus certain fund costs that are chargeable to the Continuing Fund. Notwithstanding the difference in expense structures, the Filer believes that the management expense ratio (the MER) of the Continuing Fund will be similar to the most recent MER of the Terminating Fund.

15. As a result, notwithstanding the Merger, the Continuing Fund will be managed in a manner which is substantially similar in all material respects to the manner in which the Terminating Fund has been managed.

Exemption Sought

16. Subject to receipt of the Seed Capital Relief (as defined below), the Continuing Fund will not have any assets (other than a nominal amount to establish the Continuing Fund) or liabilities at the time of the Merger.

[1] Not available for purchase.
[2] This series will be created solely to facilitate the Merger and will not be available for purchase following the Merger.

17. The assets of the Terminating Fund will be transferred to the Continuing Fund in connection with the implementation of the Merger.

18. As the Filer intends to cease distribution of units of the Terminating Fund at the close of business on the business day prior to the Merger Date, it does not intend to renew the Terminating Fund's simplified prospectus and annual information form after their lapse date.

19. The Continuing Fund will be a new fund. While the Continuing Fund will have the same assets and liabilities as the Terminating Fund, as a new fund, it will not have its own Financial Data as at the Merger Date.

20. The Financial Data of the Terminating Fund is significant information which can assist investors in determining whether to purchase securities of the Continuing Fund. In the absence of the Exemption Sought, investors will have no historical financial or performance information (such as past performance) on which to base such an investment decision.

21. The Filer proposes to:

    (a) prepare annual MRFPs for the Continuing Fund commencing with the year ending December 31, 2019 and interim MRFPs for the Continuing Fund commencing with the period ending June 30, 2020 using the Terminating Fund's financial highlights and past performance; and

    (b) prepare comparative annual financial statements for the Continuing Fund commencing with the year ending December 31, 2019 and interim financial statements for the Continuing Fund commencing with the period ending June 30, 2020 using the Terminating Fund's financial highlights and past performance.

22. The Filer is seeking to make the Merger as seamless as possible for investors of the Terminating Fund. Accordingly, the Filer submits that treating the Continuing Fund as fungible with the Terminating Fund for the purposes of the Financial Data would be beneficial to investors and that to do otherwise would cause unnecessary confusion among investors concerning the difference between the Terminating Fund and the Continuing Fund.

23. The Filer submits that investors will not be misled if the Financial Data of the Continuing Fund reflects the Financial Data of the Terminating Fund.

24. The Filer has filed a separate application for exemptive relief from certain provisions of:

    (a) NI 81-102 to permit the filing of a simplified prospectus for the Continuing Fund, notwithstanding that the initial investment in respect of the Continuing Fund under section 3.1 of NI 81-102 will not be provided (the Seed Capital Relief);

    (b) NI 81-101 to permit the Continuing Fund to disclose certain information and performance data of the Terminating Fund in its simplified prospectus and fund facts documents;

    (c) NI 81-102 to permit the Continuing Fund to use the performance data of the Terminating Fund in sales communications and other communications to securityholders (the Fund Communications) of the Continuing Fund; and

    (d) NI 81-102 to permit the Continuing Fund to calculate its investment risk level using the performance history of the Terminating Fund

    (collectively, the **NI 81-101** and **NI 81-102 Relief**).

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 MRFPs for the Continuing Fund include the Financial Data of the Terminating Fund pertaining to the corresponding series of the Terminating Fund, and disclose the Merger for the relevant time periods; and

    (b) the Continuing Fund prepares its simplified prospectus, fund facts documents and other Fund Communications in accordance with the NI 81-101 and NI 81-102 Relief.

For the Commission:

“Tom Cotter”
Vice-Chair

“Kari Horn”
Vice-Chair

2.1.4 Mercer Park Brand Acquisition Corp.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Special purpose acquisition corporation (SPAC) issuer granted relief from certain restricted security requirements under National Instrument 41-101General Prospectus Requirements – relief granted subject to conditions.

OSC Rule 56-501 Restricted Shares – Special purpose acquisition corporation (SPAC) 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, s. 12.3.
OSC Rule 56-501 Restricted Shares, Part 3.

August 21, 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
MERCER PARK BRAND ACQUISITION CORP.
(the Filer)

DECISION

Background

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

(a) Section 12.3 of NI 41-101 *General Prospectus Requirements* ("**NI 41-101**") relating to prospectus filing eligibility for distributions of restricted securities, subject securities or securities that are directly or indirectly convertible into, or exercisable or exchangeable for, restricted securities or subject securities, shall not apply to distributions of Subordinate Voting Shares, Multiple Voting Shares (each as defined below), or securities that are, directly or indirectly, convertible into, or exercisable or exchangeable for, Subordinate Voting Shares or Multiple Voting Shares, in connection with, and following the closing of, the Qualifying Transaction (as defined below) (the "**Prospectus Eligibility Exemption**"); and

(b) Part 3 of OSC Rule 56-501 *Restricted Shares* ("**OSC Rule 56-501**") relating to the withdrawal of prospectus exemptions for stock distributions shall not apply to the distribution of Subordinate Voting Shares, Multiple Voting Shares, or securities that are, directly or indirectly, convertible into, or exercisable or exchangeable for, Subordinate Voting Shares or Multiple Voting Shares, in connection with, and following the closing of, the Qualifying Transaction (the "**56-501 Withdrawal Exemption**", and together with the Prospectus Eligibility Exemption", the "**Exemption Sought**").

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

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

(b) the Filer has provided notice that 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, Manitoba, Ontario, New

Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, Northwest Territories, Yukon and Nunavut (together with Ontario, the "**Jurisdictions**") in respect of the Prospectus Eligibility Exemption.

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

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

The Filer

1. The Filer is a corporation incorporated under the laws of British Columbia on April 16, 2019 and its registered and head office is located at 333 Bay Street, Suite 3400, Toronto, Ontario, M5H 2S7.

2. The Filer is a reporting issuer in the Jurisdictions and is not in default under the securities legislation in force in any of the Jurisdictions.

3. The authorized capital of the Filer consists of an unlimited number of Class A restricted voting shares ("**Class A Restricted Voting Shares**"), an unlimited number of Class B shares ("**Class B Shares**"), an unlimited number of subordinate voting shares ("**Subordinate Voting Shares**") and an unlimited number of multiple voting shares ("**Multiple Voting Shares**").

4. The Class A Restricted Voting Shares were offered to the public pursuant to an initial public offering (the "**IPO**") under a long form prospectus dated May 7, 2019 (the "**Prospectus**"). On May 13, 2019, the Filer announced that it raised US$402,500,000 from the sale of "Class A Restricted Voting Units" under the IPO (including US$52,500,000 of Class A Restricted Voting Units issued pursuant to the full exercise of the over-allotment option). Each Class A Restricted Voting Unit consisted of one Class A Restricted Voting Share and one-half of a warrant ("**Warrant**"), with each whole Warrant being exercisable for US$11.50 per each Class A Restricted Voting Share (following the Qualifying Transaction, each whole Warrant is exercisable for US$11.50 per each Subordinate Voting Share).

5. In connection with the IPO, Mercer Park CB II, L.P. ("**Mercer LP**"), the sponsor of the Filer purchased the following securities: (i) 109,000 Class B Units for an aggregate purchase price of US$1,090,000 (each Class B Unit consists of one Class B Share and one-half of a Warrant); (ii) 9,810,000 Warrants for an aggregate purchase price of US$9,810,000; and (iii) 10,069,750 Class B Shares for an aggregate price of US$24,950.44.

6. As at the date hereof, the Filer had outstanding 40,250,000 Class A Restricted Voting Shares, 10,198,750 Class B Shares and 29,989,500 Warrants. The Filer has no other shares or warrants outstanding.

7. The Class A Restricted Voting Shares are listed and posted for trading in Canada on the Neo Exchange (the "**NEO**") under the symbol "BRND.U". The Class B Shares are not listed or posted for trading on any stock exchange, nor is it anticipated that the Class B Shares will be listed or posted for trading on any exchange in the future.

8. As disclosed in the Prospectus, 100% of the gross proceeds from the sale of the Class A Restricted Voting Shares (and warrants attached to such shares) are held in escrow by Odyssey Trust Company, pending the completion of a Qualifying Transaction (the "**Escrow Amount**").

The Filer's Capital Structure – Pre Qualifying Transaction

9. As disclosed in the Prospectus, the Class A Restricted Voting Shares are entitled to one vote per share, other than on matters relating to the election and/or removal of the directors and auditors prior to the closing of the Qualifying Transaction. It is not currently expected that any meetings involving the holders of Class A Restricted Voting Shares will take place.

10. The Class B Shares are entitled to one vote per share and will receive notice of all shareholder meetings. The holders of Class B Shares are not entitled to access, or benefit from, the proceeds in the Escrow Amount. The holders of Class B Shares are the "Founders" (as such term is defined in the Prospectus) of the Filer, and as such, are involved in the Filer's management.

11. Prior to the closing of the Qualifying Transaction, the Filer will not issue any Subordinate Voting Shares or Multiple Voting Shares.

12. The pre-Qualifying Transaction dual class share structure (i.e. the Class A Restricted Voting Shares and the Class B Shares) has been adopted to provide appropriate treatment for the holders of Class A Restricted Voting Shares in the event that (1) a Qualifying Transaction is not completed within the required time frame; or (2) the Redemption Right (as defined below) is exercised by holders of Class A Restricted Voting Shares.

The Qualifying Transaction

13. The Filer was created for the purposes of effecting, directly or indirectly, an acquisition of one or more businesses or assets (the "**Qualifying Transaction**"). The Filer is specifically focusing its search of the noted acquisition to businesses that operate branded products businesses in cannabis and/or cannabis-adjacent industries, however, the Filer is not limited to particular industry or geographic region for the purposes of the Qualifying Transaction.

14. As the Filer has deposited 100% of the proceeds from the sale of the Class A Restricted Voting Shares into escrow, pursuant to the rules of the NEO, the Filer is not required to hold a shareholder meeting to consider the approval of the Qualifying Transaction. However, in lieu of voting, holders of Class A Restricted Voting Shares will be able to redeem their shares (except for holders of more than 15% of the number of Class A Restricted Voting Shares issued, who will be subject to a 15% limit of the number of Class A Restricted Voting Shares that are redeemable) and receive back their original purchase price for the Class A Units plus any interest earned on the amount, minus all applicable taxes and expenses directly related to the redemption (the "**Redemption Right**"). Class B Shares do not have any redemption rights.

15. In connection with the Qualifying Transaction, the Filer will:

    (a) prepare and file a long form prospectus containing disclosure about the Qualifying Transaction (the "**Qualifying Transaction Prospectus**");

    (b) mail a notice of redemption to the holders of the Class A Restricted Voting Shares at least 21 days prior to the redemption deadline; and

    (c) send by prepaid mail or otherwise deliver the Qualifying Transaction Prospectus to the holders of the Class A Restricted Voting Shares no later than midnight (Toronto time) on the second business day prior to the deadline for redemption, which delivery may be effected electronically.

16. Pursuant to the Redemption Right, holders of Class A Restricted Voting Shares will be able to choose whether to remain invested in the Filer or redeem all or a portion of their Class A Voting Shares. Should a holder of Class A Restricted Voting Shares choose to redeem, the amount payable per Class A Restricted Voting Share redeemed will be equal to their pro-rata portion of the Escrow Amount (including any interest earned on the amount), minus all applicable taxes and expenses directly related to the exercise of the Redemption Right.

The Filer's Capital Structure – Post Qualifying Transaction

17. As disclosed in the Prospectus (and as will be disclosed in the Qualifying Transaction Prospectus), upon closing of the Qualifying Transaction:

    (i) each Class A Restricted Voting Share ("**Class A Restricted Voting Share**") will, unless previously redeemed, be automatically converted into one subordinate voting share ("**Subordinate Voting Share**"); and

    (ii) each Class B Share ("**Class B Share**") will, be automatically converted on a 100-for-1 basis into multiple voting shares ("**Multiple Voting Shares**")

    (collectively, the **"Share Exchange**").

18. As such, pursuant to the Share Exchange, the Filer will issue one (1) Multiple Voting Share for each one hundred (100) Class B Shares. Each Multiple Voting Share entitles the holder thereof to 2,500 votes at subsequent shareholder meetings. Each Multiple Voting Share is convertible at a ratio of one (1) Multiple Voting Share for one hundred (100) Subordinate Voting Shares (and such conversion will automatically occur on the fifth anniversary of the closing of the Qualifying Transaction). In the event of the liquidation, dissolution or winding-up of the Filer, each Multiple Voting Share is entitled to 100 times the amount distributed per each Subordinate Voting Share.

19. Further, pursuant to the Share Exchange, the Filer will issue one (1) Subordinate Voting Share for each one (1) Class A Restricted Voting Share not otherwise redeemed pursuant to the Redemption Right. Each Subordinate Voting Share entitles the holder thereof to one (1) vote at subsequent shareholder meetings.

20. As required by the Articles (as defined below), upon completion of the Qualifying Transaction, the Filer will not issue, or have outstanding, any Class A Restricted Voting Shares, Class B Shares, or such securities that are directly or indirectly convertible into, or exercisable or exchangeable for Class A Restricted Voting Shares or Class B Shares.

21. After the closing of the Qualifying Transaction, any outstanding Warrants will become exercisable for Subordinate Voting Shares and the Filer will not issue any Class A Restricted Voting Shares or Class B Shares.

22. The Prospectus provides detailed disclosure on the terms of the Class A Restricted Voting Shares, the Class B Shares, the Subordinate Voting Shares and the Multiple Voting Shares and the conversion of Class A Restricted Voting Shares into Subordinate Voting Shares and Class B Shares into Multiple Voting Shares on closing of the Qualifying Transaction. The Prospectus also discloses the possibility of future issuance of Multiple Voting Shares upon the approval of the board of directors of the Filer. The Qualifying Transaction Prospectus will also include detailed disclosure of the terms of the Subordinate Voting Shares and the Multiple Voting Shares.

23. The Qualifying Transaction Prospectus will provide disclosure on the reason for the dual share structure of the Filer after the closing of the Qualifying Transaction, which is namely to allow the Founders to have effective control over the Filer. After five (5) years from the date of the Qualifying Transaction, all of the Multiple Voting Shares of the Filer will automatically convert into Subordinate Voting Shares at a ratio of one (1) Multiple Voting Share for one hundred (100) Subordinate Voting Shares.

24. Lastly, to provide additional rights and protections to holders of Subordinate Voting Shares, as disclosed in the Prospectus:

    (a) in connection with any change of control transaction requiring approval of the holders of Subordinate Voting Shares and Multiple Voting Shares under the Business Corporations Act (British Columbia) (the "**BCBCA**"), the constating documents of the Filer, namely the Filer's "Articles" under the BCBCA (the "**Articles**"), require that holders of Subordinate Voting Shares and Multiple Voting Shares shall be treated equally and identically, on a per share basis (except in respect of the number of votes allotted to each share), unless different treatment of the shares of each such class is approved by a majority of the votes cast by the holders of outstanding Subordinate Voting Shares or their proxyholders in respect of a resolution approving such change of control transaction, voting separately as a class at a meeting of the holders of that class called and held for such purpose; and

    (b) in connection with the closing of the Qualifying Transaction, holders of Multiple Voting Shares will enter into a customary coattail agreement (the "**Coattail Agreement**") with the Filer designed to prevent transactions that otherwise would deprive holders of Subordinate Voting Shares of rights under the take-over bid regime to which they would otherwise been entitled to if the Multiple Voting Shares would have been Subordinate Voting Shares. The Coattail Agreement will comply with section 10.19 of the Listing Manual of the NEO and will contain certain provisions customary for issuers with a dual-class share structure, requiring that in essence, holders of Subordinate Voting Shares be provided with the same offer made to holders of Multiple Voting Shares in the event of a take-over bid.

25. Subsequent to the Share Exchange, it is expected that the Subordinate Voting Shares will be listed and posted for trading on the NEO. The Multiple Voting Shares are not expected to be listed or posted for trading on any exchange.

Prospectus Eligibility Exemption

26. The Subordinate Voting Shares will be "restricted securities" within the meaning of NI 41-101 and the Multiple Voting Shares will be "subject securities" within the meaning of NI 41-101.

27. Subject to certain exemptions, subsection 12.3(1) of NI 41-101 provides 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.

28. The Filer cannot rely on the "restricted security reorganization" exemption in paragraph 12.3(1)(b) of NI 41-101 for the future issuance of Subordinate Voting Shares and Multiple Voting Shares (or securities that are, directly or indirectly, convertible into, or exercisable or exchangeable for, Subordinate Voting Shares or Multiple Voting Shares) under a prospectus because the Subordinate Voting Shares and Multiple Voting Shares were created in connection with the closing of the IPO and not as part of a restricted security reorganization that received shareholder approval at the time the Filer was a reporting issuer.

29. The Filer cannot rely on the exemption provided in paragraph 12.3(3)(b) of NI 41-101 because the Filer is already a reporting issuer and as such, will not be a "private issuer" immediately prior to filing any future prospectus. Further, the

Filer will not be able to rely on the exemption provided in paragraph 12.3(3)(c) of NI 41-101 because the Prospectus qualified for distribution Class A Restricted Voting Shares and Class B Shares and any future prospectus would qualify for distribution a different class of shares, being the Subordinate Voting Shares and/or the Multiple Voting Shares.

30. As such, the Filer would be required to receive prior shareholder approval pursuant to paragraph 12.3(1)(a) of NI 41-101 each time it wishes to issue Subordinate Voting Shares or Multiple Voting Shares (or securities that are, directly or indirectly, convertible into, or exercisable or exchangeable for, Subordinate Voting Shares or Multiple Voting Shares) under a prospectus.

56-501 Withdrawal Exemption

31. The Subordinate Voting Shares will be "restricted shares" and the Multiple Voting Shares will be "subject securities", each within the meaning of OSC Rule 56-501.

32. Subject to certain exemptions, subsection 3.2(1) of OSC Rule 56-501 provides that the prospectus exemptions under Ontario securities law will not be available for certain stock distributions of securities, including the distribution of the Subordinate Voting Shares or Multiple Voting Shares.

33. The Filer cannot rely on the "restricted security reorganization" exemption in subsection 3.2(2) of OSC Rule 56-501 for the future issuance of Subordinate Voting Shares and Multiple Voting Shares (or securities that are, directly or indirectly, convertible into, or exercisable or exchangeable for, Subordinate Voting Shares or Multiple Voting Shares) under a prospectus exemption as the Subordinate Voting Shares and Multiple Voting Shares were created in connection with the closing of the IPO.

34. Further, future issuances of Subordinate Voting Shares and Multiple Voting Shares will not qualify for either of the exemptions found in subparagraphs 3.2(3)(b)(i) or (ii) of OSC Rule 56-501 since the Filer will be a reporting issuer prior to the distribution of the Subordinate Voting Shares and Multiple Voting Shares, and the Subordinate Voting Shares and/or Multiple Voting Shares are different classes of securities than the Class A Restricted Voting Shares and Class B Shares which were distributed in connection with the Filer becoming a reporting issuer.

35. As such, the Filer would be required to receive prior shareholder approval pursuant to subparagraph 3.2(1)(d)(i) of OSC Rule 56-501 each time it wishes to distribute Subordinate Voting Shares or Multiple Voting Shares (or securities that are, directly or indirectly, convertible into, or exercisable or exchangeable for, Subordinate Voting Shares or Multiple Voting Shares) under a prospectus exemption.

Decision

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

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

(a) the representations in paragraphs 3 to 25 continue to apply;

(b) prior to the closing of the Qualifying Transaction:

  (i) The Filer has no restricted securities or restricted shares issued and outstanding, other than Class A Restricted Voting Shares; and

  (ii) The Filer has no subject securities issued and outstanding, other than Class B Shares; and

(c) following the closing of the Qualifying Transaction:

  (i) the Filer has no restricted securities or restricted shares issued and outstanding, other than Subordinate Voting Shares; and

  (ii) the Filer has no subject securities issued and outstanding, other than Multiple Voting Shares.

"Michael Balter"
Manager, Corporate Finance Branch

2.1.5 Stewards Canada

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – exemption from the prospectus requirement in securities legislation for issuer that operates a church community program for the purpose of making and administering mortgage loans and funding these mortgage loans by issuing and distributing fixed income securities (Bonds).

The Issuer is exempted from the prospectus requirement in securities legislation in connection with the distribution of Bonds – Issuer cannot comply with not for profit issuer prospectus exemption in s. 2.38 of National Instrument 45-106 Prospectus Exemptions (NI 45-106) – the issuer requires relief to permit certain modifications to the offering memorandum (OM) prospectus exemption in s. 2.9 of NI 45-106 – advice provided for purposes of subparagraph 2.9(2.1)(b)(iii) of NI 45-106 will be from a restricted dealer, with individuals acting on its behalf that are subject to the same proficiency requirements as a dealing representative of an exempt market dealer – relief needed to permit a restricted dealer to comply with subsection 2.9(5.2) of NI 45-106 for purposes of distributing OM marketing materials which have been approved in writing by the issuer, and other conditions of the OM prospectus exemption in s. 2.9 of NI 45-106 which require the use of prescribed forms to the extent that such forms currently do not refer to the category of "restricted dealer" in reference to registered firms – This decision expires in five years.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, ss. 53(1) and 74(1).
Multilateral Instrument 11-102 Passport System, s. 4.7(1).
National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions.
National Instrument 45-102 Resale of Securities, s. 2.5.
National Instrument 45-106 Prospectus Exemptions, ss. 1.1, 2.3, 2.9, 2.38, 6.1, 6.3, 6.4, 6.5, Form 45-106F1, Form 45-106F2, Form 45-106F4, Form 45-106F16, and Form 45-106F17.

August 30, 2019

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

AND

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

AND

IN THE MATTER OF
STEWARDS CANADA
(Stewards or the Filer)

DECISION

Background

The Filer operates the Bond Program (defined below) in the Stewards Community (defined below) for the purpose of making and administering mortgage loans for the building and renovating of churches, camps, nursing homes, schools, seminaries and colleges. It has funded these mortgage loans by issuing and distributing unsecured variable rate redeemable debt securities (each a **Bond** and, collectively, **Bonds**) to investors within the Stewards Community. The Filer has previously been granted Ontario-only, time-limited relief from the dealer registration requirement (the **Prior Decisions**). More details of the relief granted are set out in the Prior Decisions, which are dated November 13, 2013; December 21, 2018; March 26, 2019 and June 28, 2019.

The principal regulator in the Principal Jurisdiction has received an application from the Filer for a decision under the securities legislation of the Principal Jurisdiction (the **Legislation**) for the following exemptive relief as provided for in this decision (collectively, the Exemptions Sought):

(a) an exemption from the prospectus requirement on the same terms and conditions as the ongoing prospectus exemption granted in the 2017 PFSG Decision (defined below), except with the modification in (b) below (the **Ongoing Prospectus Exemption Sought**); and

(b) modification of the ongoing prospectus exemption granted in the 2017 PFSG Decision to permit Stewards to file a Form 45-106F1 Report of Exempt Distribution (**Form 45-106F1**) monthly instead of within 10 days of a distribution (the Reporting 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 (the **Principal Regulator**); and

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

Interpretation

(1) For the purposes of this decision:

(a) **2017 PFSG Decision** means the following decision: In the Matter of Pentecostal Financial Services Group Inc., Pentecostal Securities Corp. and The Pentecostal Assemblies of Canada, dated June 21, 2017;

(b) **Bond Investor** means a Community Investor, Stewards Charity, Stewards Church or Stewards Trust that is an investor, or prospective investor, in Bonds;

(c) **Bond Program** means the issuance and distribution of Bonds to Bond Investors and the subsequent mortgage loans made by Stewards to congregations and other organizations within the Stewards Community;

(d) **Community Investor** means any individual within the Stewards Community, as well as any corporation, trust, partnership and estate associated with such individual;

(e) **CSC** means Covenant Securities Corp. (formerly Pentecostal Securities Corp.), a firm registered in the category of restricted dealer in each Jurisdiction other than Yukon;

(f) **NI 31-103** means National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*;

(g) **NI 45-106** means National Instrument 45-106 *Prospectus Exemptions*;

(h) **Offering Memorandum** means the offering memorandum in the form prescribed in Form 45-106F2 Offering Memorandum for Non-Qualifying Issuers and prepared in compliance with this decision;

(i) **OM Exemption** means the prospectus exemption in section 2.9 of NI 45-106;

(j) **PFSG Note Program** means Pentecostal Financial Services Group Inc.'s mortgage business in the Pentecostal community funded by debt securities issued by Pentecostal Financial Services Group Inc.

(k) **Stewards Charity** means any registered Canadian charity administered by Stewards or otherwise operating principally for the benefit of the Stewards Community and "**Stewards Charities**" means more than one such charity;

(l) **Stewards Church** means any church in Canada associated or affiliated with Stewards or otherwise participating in mortgage financing provided by Stewards and "**Stewards Churches**" means more than one such church;

(m) **Stewards Community** means the Canadian community comprising Stewards Churches, Stewards Charities, Stewards Trusts, congregants, pastors, ministry leaders and associated individuals of

Stewards Churches, including camps, nursing homes, schools, colleges, seminaries and similar institutions associated or affiliated with or sponsored by Stewards Churches; and

(n) **Stewards Trust** means any trust in respect of which the Stewards acts as trustee and "Stewards Trusts" means more than one such trust.

(2) Terms used in this decision that are defined in National Instrument 14-101 *Definitions* (**NI 14-101**), NI 45-106, NI 31-103 and MI 11-102 and not otherwise defined in this decision, shall have the same meaning as in NI 14-101, NI 45-106, NI 31-103, or MI 11-102 as applicable, unless the context otherwise requires.

Representations

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

The Filer

1. The Filer is a non-share corporation established in 1952 and is a "charitable organization" for the purposes of the *Income Tax Act* (Canada).

2. The Filer is restricted in the business it may carry on and the powers it may exercise to engaging exclusively in educational, charitable or religious activities. The Filer was established for the purpose of giving financial aid, primarily by way of mortgage financing, within the Stewards Community to borrowers that may otherwise be unable to obtain such financing from commercial lenders.

3. The Filer is a mortgage brokerage and mortgage administrator licensed under the *Mortgage Brokers, Lenders and Administrators Act, 2006* (Ontario).

4. The business of the Filer is overseen by its board of directors and the day-to-day management is under the direction of the Executive Director, who is independent from the board.

5. The head office of the Filer is located in Ontario.

Mortgage Lending Activities

6. The Filer's Bond Program comprises capital raising and mortgage lending within the Stewards Community.

7. The Filer makes mortgage loans to Stewards Churches and others within the Stewards Community for charitable purposes, including building, renovating and repairing church and para-church buildings, facilities and similar undertakings. The Filer enters into all mortgage and related security documents as the lender and also manages and administers the associated mortgage loans.

8. In order to mitigate risk in the Bond Program, among other factors, the associated mortgage loans made by the Filer must:

   (a) be secured by first mortgages on real property in a jurisdiction of Canada;

   (b) have a commercial appraisal of land and buildings to cover market and fire sale liquidation values;

   (c) not exceed 75% of the appraised value of the property;

   (d) be insured under mortgage title insurance;

   (e) for potential mortgages on existing buildings, be conditional on delivery of a satisfactory report from a professional engineer describing the building condition, including likely remaining life on electrical, plumbing, foundation, structure, HVAC and other critical building components;

   (f) be conditional on delivery of a satisfactory Phase 1 environmental study of the property;

   (g) in respect of the potential mortgagor, have sufficient (in the judgement of both management and a majority of the board of directors) prospective free cash flow to support the mortgage payments; and

   (h) be supported by a unanimous resolution of the local church leadership at a duly called meeting or a similar threshold of approval for para-church borrowers in the Stewards Community.

9. The Filer has been operating the Bond Program for over 65 years.

10. Under current management of the Filer, there has been no mortgage enforcement action required or taken in respect of any mortgage loan advanced by the Filer and, to the knowledge of current management, no mortgage enforcement action has ever been taken over the history of the Bond Program.

Distribution of Bonds

11. In order to raise funds to advance by way of mortgage loans, the Filer issues Bonds to Bond Investors within the Stewards Community. The Filer uses the proceeds from Bond issuances to make the mortgage loans.

12. In a typical year, the Filer issues Bonds in an aggregate principal amount of approximately $2.5 million to between 25 and 40 purchasers.

13. As at the date of this decision, there were Bonds outstanding in the aggregate principal amount of $24.8 million.

14. No commission or other remuneration is paid by Bond Investors in connection with the sale of Bonds. The Filer will pay a fee to CSC for its services.

15. Under current management of the Filer, there has been no investor loss or investor complaint in respect of an investment in Bonds and, to the knowledge of current management, there has been no investor loss or investor complaint over the history of the Bond Program.

16. The Filer issues Bonds in reliance on prospectus exemptions set out in NI 45-106, traditionally relying on section 2.38 which provides an exemption for not-for-profit issuers distributing their own securities subject to certain conditions. The Filer has been informed by staff of the Canadian securities regulatory authorities that the Filer does not fit within the conditions of this exemption. Accordingly, the Filer has applied for the Ongoing Prospectus Exemption Sought as a basis for continuing to distribute Bonds.

Proposed Distribution of Bonds through CSC

17. The Filer has arranged to distribute the Bonds through CSC and may also distribute Bonds through other registered dealers.

18. The Filer acknowledges that CSC will not recommend, advise, or solicit a donation from any Bond Investor to Stewards or to any Stewards Charities.

19. Neither the Filer, nor any of its officers, directors, employees or any other individuals acting on behalf of the Filer, will receive any form of commission or transaction-based compensation related to the Bond Program.

20. Neither the Filer, nor any of its officers, directors, employees or any other individuals acting on behalf of the Filer, will pay or receive any referral fees in respect of their activities related to the Bond Program.

21. The Filer may promote the Bond Program primarily through its website and in church bulletins and similar publications within the Stewards Community. The Bond Program may also be promoted by CSC at certain Stewards events (at which the primary attendees are pastors and elders within the Stewards Community) and the Filer may attend to provide factual information on the Bond Program. All such advertising will include a prominent reference to the Offering Memorandum and to the CSC contact information for those interested in pursuing an investment in Bonds.

Terms and Attributes of the Bonds

22. The Bonds are unsecured variable rate redeemable debt securities of the Filer.

23. The Bonds do not have a maturity date. Instead, the Bonds are redeemable at the option of the Bond Investor.

24. Traditionally, Bonds were issued in principal amounts varying from $1,000 to several hundred thousand dollars. Under the Prior Decisions, the principal amount of Bonds was limited to $50,000, either in a single Bond or in the aggregate of all Bonds issued to a single Bond Investor. Following the date of this decision, the principal amount of Bonds issued in reliance on the Ongoing Prospectus Exemption Sought will be limited by the investment limits in condition (1)I.b of this decision, as applicable.

25. Interest on the Bonds is paid semi-annually.

26. The interest rate payable under the Bonds is normally determined based on semi-annual assessments of current competitive lending rates in the market and may vary based on when an investment in the Bonds is made. Frequency of assessments may be increased or decreased, as deemed necessary based on prevailing market conditions.

The Ongoing Prospectus Exemption Sought

27. Following the date of this decision, the Filer will only distribute Bonds to Bond Investors either in accordance with prospectus exemptions available under securities legislation or in accordance with the terms and conditions of this decision.

28. The Filer requires the Ongoing Prospectus Exemption Sought in order to modify certain terms and conditions of the OM Exemption to reflect the unique features of its distribution model and structure.

29. In particular, the Filer requires the Ongoing Prospectus Exemption Sought because CSC is registered in the category of restricted dealer and, therefore, does not meet the requirements of:

    (a) subparagraph 2.9(2.1)(b)(iii) of NI 45-106 for purposes of determining whether the investment is suitable;

    (b) subsection 2.9(5.2) of NI 45-106 for purposes of distributing OM marketing materials that have been approved in writing by the issuer; or

    (c) various prescribed forms and applicable schedules, which are required under the conditions to the OM Exemption and, without the Ongoing Prospectus Exemption Sought, would not permit the Filer or CSC to include the category of restricted dealer in reference to registered firms when completing these forms and schedules.

30. As a dealing representative of CSC is subject to the same proficiency requirements that a dealing representative of an exempt market dealer would be subject to under NI 31-103, a dealing representative of CSC is appropriately qualified to determine whether an investment above the $30,000 investment limit is suitable for the purposes of subparagraph 2.9(2.1)(b)(iii) of NI 45-106.

The Reporting Exemption Sought

31. The Filer requires the Reporting Exemption Sought in order to ease financial and administrative burden. Historically, the Filer has distributed the Bonds under prospectus exemptions that did not require a Form 45-106F1 to be filed. While the Filer has determined to limit the issuance of new Bonds to once monthly, the requirement to file a report of exempt distribution in Form 45-106F1 in accordance with Part 6 of NI 45-106 within 10 days of the date of the distribution would impose a considerable financial and administrative burden on the Filer as a not-for-profit organization.

32. The Reporting Exemption Sought will allow the Filer to pool the Bond distribution data on a monthly basis and prepare and file a single report for all Bond distributions made in the calendar month. This schedule of reporting will ease the financial and administrative burden on the Filer.

Additional Investor Protection Measures and Solvency Matters

33. In operating the Bond Program, the Filer follows strict guidelines for making investments in mortgage loans, as described above. Among other risks, the distribution model of the Bond Program requires the Filer to manage risks associated with the difference in the likely redemption profile of the Bonds, on the one hand, and the term to maturity of the mortgage loans (usually five years), on the other hand. Since Bonds are redeemable on demand, the exact cash required to fund future redemptions at any specific point in time is not known. However, the Filer keeps detailed records of historical annual redemption amounts as a percentage of total bonds outstanding.

34. In order to facilitate future redemptions, the Filer maintains cash and investments on hand sufficient to fund five years of redemptions at the prevailing average annual redemption rate. Five years is the term of the vast majority of the Filer's mortgages. The redemption reserve maintained by the Filer will bridge the funding of redemptions at the historical redemption rate until the next mortgage matures, at which time the proceeds of repayment of the mortgage will provide cash to fund redemptions or replenish the reserve, as the case may be.

35. From time to time, the Filer's current assets (e.g., mortgage loan repayments) may be lower than the value of the Filer's current liabilities (e.g., projected average Bond redemption payments). The Filer addresses this risk by maintaining the redemption reserve described above.

36. In the event that the redemption reserve will or may be insufficient to repay the amounts due on redemption of the Bonds (for example, in the event of a spike in the redemption rate beyond the historical average), the Filer will instruct CSC to attempt to find new Bond Investors to purchase Bonds and, if CSC is successful, the Filer will use the proceeds from the new issue to replenish the redemption reserve.

37. The Offering Memorandum provided to each Bond Investor will describe the Filer's activities and operation of the Bond Program, including its guidelines for making investments in mortgage loans. The Offering Memorandum will also describe, among other risk factors material to the Filer and the Bonds, the operating risks faced by the Filer due to the demand nature of the Bonds in relationship to the term of each mortgage, as described above.

Additional Information about the Filer

38. Except for the matters described in representation 16 and the dealer registration requirement in certain Passport Jurisdictions, the Filer is not in default of securities legislation in any jurisdiction of Canada.

Decisions

The Principal Regulator is satisfied that these decisions meet the tests set out in the Legislation for the Principal Regulator to make these decisions.

The decisions of the Principal Regulator under the Legislation are:

(1) The Exemptions Sought are granted provided that all of the following conditions are met:

I. Stewards is distributing a Bond where:

a. the Bond Investor purchases the Bond as principal;

b. the acquisition cost of all securities acquired under the OM Exemption (or a decision of a securities regulatory authority that provides an exemption from the prospectus requirement that is substantially similar to the OM Exemption) in the preceding 12 months by a Bond Investor who is an individual does not exceed the following amounts:

i. in the case of a Bond Investor that is not an eligible investor, $10,000,

ii. in the case of a Bond Investor that is an eligible investor, $30,000,

iii. in the case of a Bond Investor that is an eligible investor and that received advice from a portfolio manager, investment dealer, exempt market dealer or CSC that the investment is suitable, $100,000;

c. at the same time or before the Bond Investor signs the agreement to purchase the Bond, Stewards:

i. delivers an offering memorandum to the Bond Investor in compliance with conditions VI to XIII, and

ii. obtains a signed risk acknowledgement from the Bond Investor in compliance with condition XV; and

d. the Bond distributed by Stewards is an unsecured variable rate redeemable debt security.

II. Stewards is not an investment fund.

III. The investment limits described in conditions I.b.ii and iii will not apply if the Bond Investor is:

a. an accredited investor; or

b. a person described in subsection 2.5(1) of NI 45-106 [Family, friends and business associates].

IV. Stewards is not distributing a short-term securitized product under the Bond Program.

V. No commission or finder's fee is paid to any person.

VI. The offering memorandum delivered to Bond Investors must comply with the requirements of Form 45-106F2 Offering Memorandum for Non-Qualifying Issuers, as may be amended from time to time, except that for purposes of Form 45-106F2 and the applicable schedules to Form 45-106F2, Stewards or CSC may include the category of restricted dealer where required.

VII. An offering memorandum delivered to a Bond Investor in reliance on this decision:

a. must incorporate by reference, by way of a statement in the offering memorandum, OM marketing materials related to each distribution under the offering memorandum and delivered or made reasonably available to a prospective Bond Investor before the termination of the distribution; and

b. is deemed to incorporate by reference OM marketing materials related to each distribution under the offering memorandum and delivered or made reasonably available to a prospective Bond Investor before the termination of the distribution.

VIII. A portfolio manager, investment dealer, exempt market dealer or CSC must not distribute OM marketing materials unless the OM marketing materials have been approved in writing by Stewards.

IX. An offering memorandum delivered under this decision must provide the Bond Investor with a contractual right to cancel the agreement to purchase the Bond by delivering a notice to Stewards not later than midnight on the 2nd business day after the Bond Investor signs the agreement to purchase the Bond.

X. The offering memorandum delivered under this decision must contain a contractual right of action against Stewards for rescission or damages that

a. is available to the Bond Investor if the offering memorandum, or any information or documents incorporated or deemed to be incorporated by reference into the offering memorandum, contains a misrepresentation, without regard to whether the Bond Investor relied on the misrepresentation;

b. is enforceable by the Bond Investor delivering a notice to Stewards;

i. in the case of an action for rescission, within 180 days after the Bond Investor signs the agreement to purchase the Bond; or

ii. in the case of an action for damages, before the earlier of

A. 180 days after the Bond Investor first has knowledge of the facts giving rise to the cause of action, or

B. 3 years after the date the Bond Investor signs the agreement to purchase the Bond,

c. is subject to the defence that the Bond Investor had knowledge of the misrepresentation;

d. in the case of an action for damages, provides that the amount recoverable

i. must not exceed the price at which the Bond was offered, and

ii. does not include all or any part of the damages that Stewards proves does not represent the depreciation in value of the Bond resulting from the misrepresentation, and

e. is in addition to, and does not detract from, any other right of the Bond Investor.

XI. An offering memorandum delivered under this decision must contain a certificate that states the following:

"This offering memorandum does not contain a misrepresentation."

XII. The certificate required under condition XI of this decision must be signed

a. by Stewards' chief executive officer and chief financial officer or, if Stewards does not have a chief executive officer or chief financial officer, an individual acting in that capacity; and

b. on behalf of the directors of Stewards, by

i. any two directors who are authorized to sign, other than the persons referred to in paragraph (a), or

ii. all the directors of Stewards.

XIII. A certificate under condition XI must be true

a. at the date the certificate is signed; and

b. at the date the offering memorandum is delivered to the Bond Investor.

XIV. If a certificate under condition XI ceases to be true after it is delivered to the Bond Investor, Stewards cannot accept an agreement to purchase the Bond from the Bond Investor unless

a. the Bond Investor receives an update of the offering memorandum;

b. the update of the offering memorandum contains a newly dated certificate signed in compliance with condition XII; and

c. the Bond Investor re-signs the agreement to purchase the Bond.

XV. A risk acknowledgement obtained under this decision must comply with the requirements of Form 45-106F4, including applicable schedules, except that for purposes of Form 45-106F4 and the applicable schedules to Form 45-106F4, Stewards or CSC may include the category of restricted dealer where required. Stewards must retain the signed risk acknowledgment for 8 years after the distribution.

XVI. Stewards must

a. hold in trust all consideration received from the Bond Investor in connection with a distribution of a Bond under this decision until midnight on the second business day after the Bond Investor signs the agreement to purchase the Bond; and

b. return all consideration to the Bond Investor promptly if the Bond Investor exercises the right to cancel the agreement to purchase the Bond described under condition IX.

XVII. Stewards must file a copy of an offering memorandum delivered under this decision and any update of a previously filed offering memorandum with the securities regulatory authority on or before the 10th day after the distribution under the offering memorandum or update of the offering memorandum.

XVIII. Stewards must file with the securities regulatory authority a copy of all OM marketing materials required or deemed to be incorporated by reference into an offering memorandum delivered under this decision,

a. if the OM marketing materials are prepared on or before the filing of the offering memorandum, concurrently with the filing of the offering memorandum; or

b. if the OM marketing materials are prepared after the filing of the offering memorandum, within 10 days of the OM marketing materials being delivered or made reasonably available to a prospective Bond Investor.

XIX. OM marketing materials filed under condition XVIII must include a cover page clearly identifying the offering memorandum to which they relate.

XX. For purposes of financial statement reporting, Stewards must comply with subsections 2.9(17.5), (17.7) to (17.13), (17.15) to (17.17) and (17.19) of the OM Exemption as if Stewards had distributed securities under the OM Exemption.

XXI. Stewards must make reasonably available to each holder of a Bond acquired under this decision a notice of each of the following events in accordance with Form 45-106F17, within 10 days of the occurrence of the event:

a. a discontinuation of Stewards' business;

b. a change in Stewards' industry;

c. a change of control of Stewards.

XXII. Stewards is required to make the disclosure required respectively by conditions XX (in respect of subsections 2.9(17.5) and (17.19) of the OM Exemption as referenced above) and XXI of this decision until the earlier of

a. the date Stewards becomes a reporting issuer in any jurisdiction of Canada; and

b. the date Stewards ceases to carry on business.

XXIII. In Ontario, Stewards is designated a market participant under the Securities Act (Ontario).

XXIV. For each distribution made in reliance on this decision, Stewards will file a completed Form 45-106F1 in accordance with Part 6 of NI 45-106, as may be amended from time to time, or within 10 days of the end of the calendar month in which the distribution occurred. For purposes of Form 45-106F1 and the applicable schedules to Form 45-106F1, Stewards or CSC may include the category of restricted dealer where required.

XXV. The first trade in securities distributed in reliance on this decision will be deemed to be a distribution that is subject to section 2.5 of National Instrument 45-102 *Resale of Securities*.

XXVI. The additional investor protection measures for the Bond Program described in representations 33 to 37 above must remain in effect as of the date of distribution.

XXVII. In the event of an amendment to subsection 2.9(2.1)(b) of NI 45-106, the same amendment is deemed to be made to condition I.b of this decision, provided that advice that an investment is suitable may be provided by a portfolio manager, investment dealer, exempt market dealer or CSC.

(2) Stewards will only distribute Bonds in a jurisdiction through a dealer that is appropriately registered in the jurisdiction.

(3) This decision will expire upon the date that is five years from the date of this decision.

*"*Grant Vingoe*"*
Vice-Chair
Ontario Securities Commission

*"*Heather Zordel*"*
Commissioner
Ontario Securities Commission

2.1.6 Pentecostal Financial Services Group Inc. et al.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – exemption from the prospectus requirement in securities legislation for issuer that operates a church community program for the purpose of making and administering mortgage loans and funding these mortgage loans by issuing and distributing fixed income securities (Notes).

The Issuer is exempted from the prospectus requirement in securities legislation in connection with the distribution of Notes – Issuer cannot comply with not for profit issuer prospectus exemption in s. 2.38 of National Instrument 45-106 Prospectus Exemptions (NI 45-106) – the issuer requires relief to permit certain modifications to the offering memorandum (OM) prospectus exemption in s. 2.9 of NI 45-106 – advice provided for purposes of subparagraph 2.9(2.1)(b)(iii) of NI 45-106 will be from a restricted dealer, with individuals acting on its behalf that are subject to the same proficiency requirements as a dealing representative of an exempt market dealer – relief needed to permit a restricted dealer to comply with subsection 2.9(5.2) of NI 45-106 for purposes of distributing OM marketing materials which have been approved in writing by the issuer, and other conditions of the OM prospectus exemption in s. 2.9 of NI 45-106 which require the use of prescribed forms to the extent that such forms currently do not refer to the category of "restricted dealer" in reference to registered firms – relief needed because certain not for profit affiliates of the issuer may be required to sign an OM certificate under subsection 2.9(9) of NI 45-106 which may put not for profit/charitable assets at risk if used to settle potential claims for misrepresentation in the offering memorandum – This decision expires in five years.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, ss. 53(1), 74(1) and 144.
Multilateral Instrument 11-102 Passport System, s. 4.7(1).
National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions.
National Instrument 45-102 Resale of Securities, s. 2.5.
National Instrument 45-106 Prospectus Exemptions, ss. 1.1, 2.3, 2.9, 2.38, 6.1, 6.3, 6.4, 6.5, Form 45-106F1, Form 45-106F2, Form 45-106F4, Form 45-106F16, and Form 45-106F17.

Applicable Decision

In the Matter of Pentecostal Financial Services Group Inc. dated June 21, 2007.

August 30, 2019

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

AND

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

AND

IN THE MATTER OF
PENTECOSTAL FINANCIAL SERVICES GROUP INC. (PFSG or the Issuer),
COVENANT SECURITIES CORP. (formerly Pentecostal Securities Corp., CSC or the Dealer), and
THE PENTECOSTAL ASSEMBLIES OF CANADA
(the PAOC, and collectively with PFSG and CSC, the Filers)

DECISION

Background

For approximately 60 years, one or more of the Filers have operated the Note Program (defined below) in the PAOC Community (defined below) for the purpose of making and administering mortgage loans for charitable purposes (e.g., building and renovating churches and bible colleges) and have funded these mortgage loans by issuing and distributing unsecured fixed rate term promissory notes (each a **Note** and, collectively, **Notes**) to members of the Pentecostal community.

The Filers had historically operated the Note Program (defined below) under exemptions from the prospectus and registration requirements available under securities legislation. By decision dated June 21, 2007 (the **2007 Decision**), PFSG was granted exemption from the dealer registration requirement and prospectus requirement of applicable securities legislation by certain of the Canadian securities regulatory authorities on terms set out in the 2007 Decision. The 2007 Decision expired on June 21, 2017.

In the 10 years following the 2007 Decision, there were regulatory changes to the registration regime and expansion of the prospectus exempt market, which changed the securities regulatory landscape for offering Notes under the Note Program. Accordingly, it was appropriate for the Filers to transition their business model to align with these regulatory changes.

By decision dated August 30, 2017 (the **2017 Decision**), the Filers were granted certain interim relief from the dealer registration requirement and prospectus requirement, in order to facilitate the transition of the Filers to the new distribution model for the Notes set out in the 2017 Decision, and ongoing relief from the prospectus requirement on terms and conditions substantially similar to the OM Exemption (defined below). Following the 2017 Decision, CSC became registered as a restricted dealer in certain Canadian jurisdictions. As a result, the interim relief in the 2017 Decision is no longer applicable.

The Filers have applied to modify the ongoing relief from the prospectus requirement under the 2017 Decision to address contraction of the Note Program and the burden of reporting that it has experienced operating the Note Program under the terms and conditions of the 2017 Decision.

The principal regulator in the Principal Jurisdiction has received an application from the Filers for a decision under the securities legislation of the Principal Jurisdiction (the Legislation) for revocation of the 2017 Decision and for the following exemptive relief as provided for in this decision (collectively, the Exemptions Sought):

(a) an exemption from the prospectus requirement on the same terms and conditions as the ongoing prospectus exemption granted in the 2017 Decision, except with the modifications in (b) and (c) below (the **Ongoing Prospectus Exemption Sought**);

(b) modification of the ongoing prospectus relief in the 2017 Decision to change the investment limit in the case of Legacy Investors (defined below) from $100,000 in a twelve-month period to $200,000 in a twenty-four-month period, provided that each such Legacy Investor is an eligible investor that has received advice from CSC that the investment is suitable (the **Legacy Prospectus Exemption Sought**); and

(c) modification of the ongoing prospectus exemption granted in the 2017 Decision to permit PFSG to file a Form 45-106F1 Report of Exempt Distribution (**Form 45-106F1**) monthly instead of within 10 days of a distribution (the Reporting 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 (the Principal Regulator); and

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

Interpretation

(1) For the purposes of this decision:

(a) **Community Investor** means any individual within the PAOC Community, as well as any corporation, trust, partnership and estate associated with such individual;

(b) **Legacy Investor** means a Note Investor that held Notes with an aggregate principal value greater than $100,000 on August 30, 2017;

(c) **Legacy Note** means a Note held by a Legacy Investor;

(d) **NI 31-103** means National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations;*

(e) **NI 45-106** means National Instrument 45-106 *Prospectus Exemptions*;

(f) **Note Investor** means a Community Investor, PAOC Charity or PAOC Trust that is an investor, or prospective investor, in Notes;

(g) **Note Program** means the issuance and distribution of Notes to Note Investors and the subsequent mortgage loans made by PFSG to PAOC congregations and other PAOC organizations;

(h) **Offering Memorandum** means the offering memorandum in the form prescribed in Form 45-106F2 *Offering Memorandum for Non-Qualifying Issuers* and prepared in compliance with this decision;

(i) **OM Exemption** means the prospectus exemption in section 2.9 of NI 45-106;

(j) **PAOC Charity** means any church within the PAOC Community and any registered charity within the PAOC Community, including PAOC itself;

(k) **PAOC Community** means congregants of the PAOC, pastors, ministry leaders and associated individuals, churches, colleges and camps within the PAOC, any registered charity administered by the PAOC, including the PAOC itself and any trust in respect of which the PAOC acts as trustee; and

(l) **PAOC Trust** means any trust in respect of which the PAOC acts as trustee.

(2) Terms used in this decision that are defined in National Instrument 14-101 *Definitions* (**NI 14-101**), NI 45-106, NI 31-103 and MI 11-102 and not otherwise defined in this decision, shall have the same meaning as in NI 14-101, NI 45-106, NI 31-103, or MI 11-102 as applicable, unless the context otherwise requires.

Representations

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

The Filers

1. The PAOC is a registered charity incorporated under Part ll of the Canada Corporations Act and is a "charitable organization" for purposes of the *Income Tax Act* (Canada). The PAOC carries on its religious and charitable activities in various provinces and territories in Canada but maintains its head office in Ontario. Member congregations of the PAOC are located in each of the Jurisdictions.

2. PFSG is a corporation incorporated under the laws of Canada on March 29, 2005 and is wholly-owned by the PAOC.

3. CSC is a corporation incorporated under the laws of Canada on June 15, 2017 and is wholly-owned by the PAOC. CSC is registered in the category of restricted dealer under the securities legislation in each of Alberta, British Columbia, Manitoba, Newfoundland and Labrador, Northwest Territories, Nova Scotia, New Brunswick, Nunavut, Ontario, Prince Edward Island, Québec and Saskatchewan.

4. Each of PFSG, CSC, and the PAOC is not in default of securities legislation in any jurisdiction of Canada.

The Note Program

5. PFSG was established and exists for the purpose of, on the one hand, making and administering mortgage loans, and, on the other hand, issuing and distributing Notes (each of which is an unsecured promissory note) to Note Investors.

6. PFSG uses the proceeds from Notes to make mortgage loans to PAOC congregations and other PAOC organizations for charitable purposes, including building, renovating and repairing church buildings, school facilities and similar undertakings within the PAOC Community.

7. PFSG enters into all mortgage and related security documents as the lender. All mortgage loans are funded by the proceeds PFSG receives from Notes pursuant to the Note Program. PFSG manages and administers the associated mortgage loans.

8. In order to mitigate risk in the Note Program, among other factors, the associated mortgage loans made by PFSG must:

(a) be secured by first mortgages on real property in a jurisdiction of Canada;

(b) have a commercial appraisal of land and buildings to cover market and fire sale liquidation values;

(c) not exceed 65% of the appraised value of the property, except in very limited circumstances;

(d) be insured under mortgage title insurance;

(e) not exceed three times the annual revenue (e.g., donations) of the church or other mortgagor; and

(f) be supported by a resolution of the local church membership at a duly called meeting, with at least a 75% majority approving the decision to apply for the mortgage or a similar threshold of approval for non-church borrowers in the PAOC Community.

9. The activity of PFSG is overseen by its board of directors and the day-to-day management is under the direction of its Executive Director.

10. The activities of CSC are restricted to acting as a dealer in order to facilitate any distributions of, or investments in, Notes under the Note Program or securities of similar debt programs. CSC will not recommend, advise, or solicit a donation from any Note Investor to the PAOC or any entities related to the PAOC.

11. PFSG generates net profits from operating the Note Program. Substantially all such profits are paid to the PAOC for use by the PAOC exclusively in furtherance of its educational, charitable and religious activities, and this will be disclosed in the Offering Memorandum.

12. None of the Filers, or any of their officers, directors, employees or any other individuals acting on behalf of any Filer, will receive any form of commission or transaction-based compensation from Note Investors related to the Note Program. PFSG will pay a fee to CSC for its services.

13. None of the Filers, or any of their officers, directors, employees or any other individuals acting on behalf of any Filer, will pay or receive any referral fees in respect of their activities related to the Note Program.

14. PFSG promotes the Note Program primarily through its website, in church bulletins and in a magazine published by the PAOC. The Note Program may also be promoted by CSC at certain PAOC events (at which the primary attendees are pastors within the PAOC Community) and PFSG may attend to provide factual information on the Note Program. All such advertising includes a prominent reference to the Offering Memorandum and to the CSC contact information for those interested in pursuing an investment in Notes.

15. Prior to the establishment of PFSG and the launch of the Note Program, the PAOC itself ran a similar program for almost 50 years.

16. There have been no defaults on any of the Notes and no complaints from any Note Program participants since the operation of the Note Program under the 2007 Decision. The PAOC is not aware of any such defaults or complaints in the 50 years that the PAOC itself ran a similar program.

Terms and Attributes of the Notes

17. As at the date hereof:

(a) the aggregate principal amount of issued and outstanding Notes is approximately $39 million;

(b) the number of Notes issued and outstanding is approximately 377; and

(c) the number of Community Investors who hold Notes is approximately 141, and they hold approximately $19.5 million of the aggregate principal amount of issued and outstanding Notes.

18. The Notes are issued in principal amounts varying from $5,000 to several hundred thousand dollars. Interest on the Notes is paid semi-annually and the Notes are issued for terms to maturity ranging from one year to five years (at the Note Investor's option). During the last 10 years, PFSG has raised approximately $7 million per year from the issue of Notes and issued Notes to approximately 35 to 75 Note Investors per year (many of which were returning investors).

19. The interest rate payable under the Notes is normally determined based on monthly assessments of current competitive lending rates in the market and may vary based on when an investment in the Notes is made and depending on the term of Notes selected by the Note Investor. Frequency of assessments may be increased or decreased, as deemed necessary based on prevailing market conditions.

20. As a Note approaches its maturity date, the holder of the Note is given the option to receive repayment of the amount owing under the Note or to reinvest that amount in a new Note, or a combination of both. In most cases, Note Investors opt to renew or reinvest their Notes. Historically, and prior to the 2017 Decision, the Note renewal rate has been over 92%. As maturity dates are spread throughout the year, Notes are renewed throughout the year. Since the 2017 Decision, the renewal rate has dropped to approximately 70%.

21. PFSG engages in short-term investing in term deposits (fixed-term investments available at a Canadian financial institution) in order to manage the in-flow of the proceeds from the sale of Notes and the out-flow of proceeds by way of mortgage loans. Short-term investments in term deposits normally last no longer than 90 days (and are only made to account for discrepancies between the dates that funds are received from Note Investors and the dates that new mortgage loans are entered into for PAOC projects).

The Prior Decisions and Activities

22. Initially, PAOC (and later, PFSG) operated the Note Program by issuing, distributing and trading in Notes pursuant to exemptions from the prospectus and registration requirements available under applicable securities legislation.

23. From June 21, 2007, PFSG operated the Note Program pursuant to exemptions from the dealer registration requirement and prospectus requirement on terms set out in the 2007 Decision. The 2007 Decision expired on June 21, 2017.

24. From August 30, 2017, PFSG operated the Note Program pursuant to certain interim relief from the dealer registration requirement and prospectus requirement, in order to facilitate the transition of the Filers to the new distribution model for the Notes set out in the 2017 Decision, and ongoing prospectus requirement on terms set out in the 2017 Decision. The interim relief expired on August 30, 2017. The 2017 Decision expires on August 30, 2022.

25. Since the 2017 Decision came into effect, the aggregate principal amount of Notes outstanding under the Note Program has declined by approximately 23%, including a decline of approximately 5% attributable to the application of the $100,000 investment limit and a further decline of approximately 1.5% attributable to the application of the other investment limits under the 2017 Decision. The Filers require the Exemptions Sought to minimize disruption to the Note Program.

The Ongoing Prospectus Exemption Sought

26. Following the date of this decision, PFSG will only distribute Notes to Note Investors either in accordance with prospectus exemptions available under securities legislation or in accordance with the terms and conditions of this decision.

27. PFSG requires the Ongoing Prospectus Exemption Sought in order to modify certain terms and conditions of the OM Exemption to reflect the unique features of its distribution model and structure.

28. In particular, PFSG requires the Ongoing Prospectus Exemption Sought because CSC is registered in the category of restricted dealer and, therefore, does not meet the requirements of:

    (a) subparagraph 2.9(2.1)(b)(iii) of NI 45-106 for purposes of determining whether the investment is suitable;

    (b) subsection 2.9(5.2) of NI 45-106 for purposes of distributing OM marketing materials that have been approved in writing by the issuer; or

    (c) various prescribed forms and applicable schedules, which are required under the conditions to the OM Exemption and, without the Ongoing Prospectus Exemption Sought, would not permit PFSG or CSC to include the category of restricted dealer in reference to registered firms when completing these forms and schedules.

29. As a dealing representative of CSC is subject to the same proficiency requirements that a dealing representative of an exempt market dealer would be subject to under NI 31-103, a dealing representative of CSC is appropriately qualified to determine whether an investment above the $30,000 investment limit is suitable for the purposes of subparagraph 2.9(2.1)(b)(iii) of NI 45-106.

30. PFSG also requires the Ongoing Prospectus Exemption Sought as certain PAOC Community entities may fall within the definition of a “promoter” under securities legislation and, as a result, would be required to sign the OM in accordance with subsection 2.9(9)(c) of NI 45-106. However, these entities signing the OM as a promoter may potentially put certain charitable assets at risk if such assets were to be used to settle any potential claims for

misrepresentation in the OM. The PAOC Community has undertaken to implement a number of additional investor protection measures (as described below) under the Note Program.

The Legacy Prospectus Exemption Sought

31. PFSG requires the Legacy Prospectus Exemption Sought in order to minimize disruption in the Note Program. Notes are issued through the year, and have terms varying from one year to five years. Legacy Notes were issued before PFSG was subject to the 2017 Decision, with the result that maturity dates for one or more Legacy Notes held by a single Legacy Investor may fall within the same twelve month period. Prior to the 2017 Decision, the Legacy Investor would often choose to reinvest the proceeds of a matured Legacy Note or Legacy Notes in a new Note or Notes.

32. Under the 2017 Decision, if the Legacy Investor was an eligible investor but not an accredited investor (as those terms are defined in NI 45-106), the investment in new Notes was subject to investment limits based on those of the OM Exemption. Where the principal amount of the Legacy Note or Legacy Notes of the Legacy Investor maturing within a twelve month period aggregated greater than $100,000, the Legacy Investor was not permitted to reinvest the portion of the returned capital in excess of $100,000.

33. The loss of investment from Legacy Investors described above has contributed approximately 5% to the decline in the Note Program.

34. Under the Legacy Prospectus Exemption Sought, PFSG will be permitted to aggregate Legacy Note maturity dates over a two year period, and will be permitted to aggregate the investment limits for both of those periods into a single $200,000 investment limit for twenty-four months. In circumstances in which the Legacy Investor wishes to reinvest the proceeds of the maturing Legacy Note or Notes into a new Note or Notes, the Legacy Prospectus Exemption Sought will permit PFSG to issue up to $200,000 aggregate principal amount of Notes to the Legacy Investor at the time of maturity over the course of the twenty-four month period.

35. In compliance with the terms of the Ongoing Prospectus Exemption Sought, all investments in new Notes under the Legacy Prospectus Exemption Sought will be subject to receiving advice from CSC that the investment is suitable.

The Reporting Exemption Sought

36. PFSG requires the Reporting Exemption Sought in order to ease financial and administrative burden. During the years of operation of the Note Program prior to the 2017 Decision, Notes have been issued throughout the year, and have terms varying from one year to five years. Accordingly, Notes mature on a continuous basis. As Note Investors reinvest the proceeds of the maturing Notes, distribution of these new Notes occurs on a continuous basis. The corresponding reporting obligations of PFSG under the 2017 Decision result in the preparation and filing of reports on a parallel continuous basis.

37. The Reporting Exemption Sought will allow PFSG to pool the Note distribution data on a monthly basis and prepare and file a single report for all Note distributions made in the calendar month. This schedule of reporting will ease the financial and administrative burden on PFSG.

Additional Investor Protection Measures and Solvency Matters

38. In operating the Note Program, PFSG follows strict guidelines for making investments in mortgage loans, as described above. Among other risks, the distribution model of the Note Program requires PFSG to manage risks associated with the difference in the term to maturity of the Notes (typically one to five years) and the term to maturity of the mortgage loans (typically five years). The difference in these terms to maturity may, from time to time, lead to the value of PFSG's current assets (e.g., mortgage loan repayments) being lower than the value of PFSG's current liabilities (e.g., Note payments). PFSG addresses this risk by carefully managing the timing of the maturity dates of the Notes and mortgages, and by taking the steps outlined below.

39. PFSG attempts to align maturity dates of mortgages and Notes so that it has available funds should Note Investors choose to receive repayment of the amount owing under their Notes. In the event that cash-on-hand will or may be insufficient to repay the amounts due on Notes, CSC will attempt to find new Note Investors to purchase Notes in the same aggregate principal amount and, if successful, will use the proceeds from the new issue to redeem the existing Notes.

40. PFSG has entered into a subordination agreement with the PAOC with respect to each PAOC Charity and each PAOC Trust such that the repayment of the interest and principal on each Note held by a PAOC Charity or PAOC Trust is subordinate to the repayment of the interest and principal on each Note held by a Community Investor in respect of any Notes having the same maturity date.

41. The PAOC invests in preferred shares of PFSG in order to build additional equity in PFSG to mitigate the business risks outlined above and the risk of any potential default in the payment of a mortgage loan. The PAOC has reinvested in PFSG in the form of preferred shares, which investment is currently approximately $1.9 million. The PAOC will increase its preferred share position to 10% of the mortgage portfolio operated by PFSG by committing 50% of the annual profits paid by PFSG to the PAOC to the preferred share capitalization until it reaches 10% of the total mortgage portfolio.

42. In respect of the preferred share capital provided to PFSG by the PAOC, by operation of corporate law and bankruptcy and insolvency law, this share capital may be available to creditors and any payments owing to the PAOC as a preferred shareholder will be subordinate to the claims of any creditors. In addition, PFSG will only make payments to the PAOC as a preferred shareholder when PFSG is profitable and the current assets of PFSG are greater than the current liabilities of PFSG at the date that a payment to preferred shareholders is payable.

43. The PAOC has qualified for, and has available to it, a line of credit from a bank listed in Schedule I of the Bank Act (Canada). The line of credit has a limit of $3 million dollars, all of which is currently available, as at the date of this decision. The PAOC has agreed that it will make the line of credit available to PFSG as required to meet its obligations to Community Investors under the Notes held by such investors.

44. The Offering Memorandum provided to each Community Investor will describe PFSG's activities and operation of the Note Program, including its guidelines for making investments in mortgage loans. The Offering Memorandum will also describe among other risk factors material to PFSG and the Notes, the operating risks faced by PFSG due to the difference in the term to maturity of each Note and each mortgage as described above.

45. Annually, PFSG will provide to staff of the Principal Regulator a summary of any repayments, including any advance repayments, of principal in respect of Notes to a PAOC Charity or PAOC Trust and a summary of any redemptions of preferred shares to the PAOC that have occurred in the prior 12 month period.

Additional Ongoing Trading and Distribution Activities

46. In respect of a distribution of any Note under the Note Program where PFSG is relying on this decision, PFSG and CSC will adhere to the investment limits in condition I.b of this decision in each Jurisdiction. Accordingly, if PFSG is relying on this decision in respect of a distribution to a Community Investor that is an individual and also an eligible investor (as defined in NI 45-106), each such Community Investor will be subject to the same investment restrictions.

47. Notwithstanding the foregoing, PFSG will adhere to the adjusted investment limits in condition I.c of this decision in the case of Legacy Investors.

48. PFSG will continue to deliver an Offering Memorandum to each prospective Community Investor before the prospective Community Investor has agreed in writing to purchase a Note. The Offering Memorandum:

    (a) will include relevant information including the key terms of the Notes; the relationship between PFSG, CSC and the PAOC; that PFSG is the entity issuing the Notes, and the relevant risks related thereto; and

    (b) will contain a contractual right of rescission and a right of action for misrepresentation against PFSG unless such rights are otherwise provided under securities legislation where the Community Investor is resident.

49. CSC will record and maintain records in respect of any suitability assessments it conducts, including any discussions with Community Investors regarding the suitability of an investment in Notes.

50. The Filers will take reasonable steps to identify, and respond to, any material conflicts of interest between the Filers and the Note Investors. The Filers will manage these conflicts, and will avoid any conflicts that cannot be managed.

Decisions

The Principal Regulator is satisfied that these decisions meet the tests set out in the Legislation for the Principal Regulator to make these decisions.

The decisions of the Principal Regulator under the Legislation are:

(1) The 2017 Decision is revoked.

(2) The Exemptions Sought are granted provided that all of the following conditions are met:

I. PFSG is distributing a Note where:

a. the Note Investor purchases the Note as principal;

b. subject to I.c., the acquisition cost of all securities acquired under the OM Exemption (or a decision of a securities regulatory authority that provides an exemption from the prospectus requirement that is substantially similar to the OM Exemption) in the preceding 12 months by a Note Investor who is an individual does not exceed the following amounts:

i. in the case of a Note Investor that is not an eligible investor, $10,000;

ii. in the case of a Note Investor that is an eligible investor, $30,000;

iii. in the case of a Note Investor that is an eligible investor and that received advice from a portfolio manager, investment dealer, exempt market dealer or CSC that the investment is suitable, $100,000,

c. in the case of a Legacy Investor that is an eligible investor and that received advice from a portfolio manager, investment dealer, exempt market dealer or CSC that the investment is suitable, the acquisition cost of all securities acquired under the OM Exemption (or a decision of a securities regulatory authority that provides an exemption from the prospectus requirement that is substantially similar to the OM Exemption) in the preceding 24 months by such Legacy Investor who is an individual does not exceed $200,000. (For greater certainty, condition 1.c is a limited accommodation that only applies to a Legacy Investor that continues to hold any principal amount of Legacy Notes. If a Legacy Investor ceases to hold any principal amount of Legacy Notes, the limited accommodation in condition 1.c. would not be available to any future investment by the Legacy Investor);

d. at the same time or before the Note Investor signs the agreement to purchase the Note, PFSG:

i. delivers an offering memorandum to the Note Investor in compliance with conditions VI to XIII, and

ii. obtains a signed risk acknowledgement from the Note Investor in compliance with condition XV, and

e. the Note distributed by PFSG is an unsecured, fixed interest rate, non-convertible debt instrument of PFSG with a term of 5 years or less.

II. PFSG is not an investment fund.

III. The investment limits described in conditions I.b.ii and iii will not apply if the Note Investor is:

a. an accredited investor; or

b. a person described in subsection 2.5(1) of NI 45-106 [Family, friends and business associates].

IV. PFSG is not distributing a short-term securitized product under the Note Program.

V. No commission or finder's fee is paid to any person.

VI. The offering memorandum delivered to Note Investors must comply with the requirements of Form 45-106F2 Offering Memorandum for Non-Qualifying Issuers, as may be amended from time to time, except that for purposes of Form 45-106F2 and the applicable schedules to Form 45-106F2, PFSG or CSC may include the category of restricted dealer where required.

VII. An offering memorandum delivered to a Note Investor in reliance on this decision:

a. must incorporate by reference, by way of a statement in the offering memorandum, OM marketing materials related to each distribution under the offering memorandum and

delivered or made reasonably available to a prospective Note Investor before the termination of the distribution; and

b. is deemed to incorporate by reference OM marketing materials related to each distribution under the offering memorandum and delivered or made reasonably available to a prospective Note Investor before the termination of the distribution.

VIII. A portfolio manager, investment dealer, exempt market dealer or CSC must not distribute OM marketing materials unless the OM marketing materials have been approved in writing by PFSG.

IX. An offering memorandum delivered under this decision must provide the Note Investor with a contractual right to cancel the agreement to purchase the Note by delivering a notice to PFSG not later than midnight on the 2nd business day after the Note Investor signs the agreement to purchase the Note.

X. The offering memorandum delivered under this decision must contain a contractual right of action against PFSG for rescission or damages that

a. is available to the Note Investor if the offering memorandum, or any information or documents incorporated or deemed to be incorporated by reference into the offering memorandum, contains a misrepresentation, without regard to whether the Note Investor relied on the misrepresentation;

b. is enforceable by the Note Investor delivering a notice to PFSG;

i. in the case of an action for rescission, within 180 days after the Note Investor signs the agreement to purchase the Note; or

ii. in the case of an action for damages, before the earlier of

A. 180 days after the Note Investor first has knowledge of the facts giving rise to the cause of action, or

B. 3 years after the date the Note Investor signs the agreement to purchase the Note,

c. is subject to the defence that the Note Investor had knowledge of the misrepresentation;

d. in the case of an action for damages, provides that the amount recoverable

i. must not exceed the price at which the Note was offered, and

ii. does not include all or any part of the damages that PFSG proves does not represent the depreciation in value of the Note resulting from the misrepresentation, and

e. is in addition to, and does not detract from, any other right of the Note Investor.

XI. An offering memorandum delivered under this decision must contain a certificate that states the following:

"This offering memorandum does not contain a misrepresentation."

XII. The certificate required under condition XI of this decision must be signed

a. by PFSG's chief executive officer and chief financial officer or, if PFSG does not have a chief executive officer or chief financial officer, an individual acting in that capacity; and

b. on behalf of the directors of PFSG, by

i. any 2 directors who are authorized to sign, other than the persons referred to in paragraph (a), or

ii. all the directors of PFSG.

XIII. A certificate under condition XI must be true

a. at the date the certificate is signed; and

b. at the date the offering memorandum is delivered to the Note Investor.

XIV. If a certificate under condition XI ceases to be true after it is delivered to the Note Investor, PFSG cannot accept an agreement to purchase the Note from the Note Investor unless

a. the Note Investor receives an update of the offering memorandum;

b. the update of the offering memorandum contains a newly dated certificate signed in compliance with condition XII; and

c. the Note Investor re-signs the agreement to purchase the Note.

XV. A risk acknowledgement obtained under this decision must comply with the requirements of Form 45-106F4, including applicable schedules, except that for purposes of Form 45-106F4 and the applicable schedules to Form 45-106F4, PFSG or CSC may include the category of restricted dealer where required. PFSG must retain the signed risk acknowledgment for 8 years after the distribution.

XVI. PFSG must

a. hold in trust all consideration received from the Note Investor in connection with a distribution of a Note under this decision until midnight on the 2nd business day after the Note Investor signs the agreement to purchase the Note; and

b. return all consideration to the Note Investor promptly if the Note Investor exercises the right to cancel the agreement to purchase the Note described under condition IX.

XVII. PFSG must file a copy of an offering memorandum delivered under this decision and any update of a previously filed offering memorandum with the securities regulatory authority on or before the 10th day after the distribution under the offering memorandum or update of the offering memorandum.

XVIII. PFSG must file with the securities regulatory authority a copy of all OM marketing materials required or deemed to be incorporated by reference into an offering memorandum delivered under this decision,

a. if the OM marketing materials are prepared on or before the filing of the offering memorandum, concurrently with the filing of the offering memorandum; or

b. if the OM marketing materials are prepared after the filing of the offering memorandum, within 10 days of the OM marketing materials being delivered or made reasonably available to a prospective Note Investor.

XIX. OM marketing materials filed under condition XVIII must include a cover page clearly identifying the offering memorandum to which they relate.

XX. For purposes of financial statement reporting, PFSG must comply with subsections 2.9(17.5), (17.7) to (17.13), (17.15) to (17.17) and (17.19) of the OM Exemption as if PFSG had distributed securities under the OM Exemption.

XXI. PFSG must make reasonably available to each holder of a Note acquired under this decision a notice of each of the following events in accordance with Form 45-106F17, within 10 days of the occurrence of the event:

a. a discontinuation of PFSG's business;

b. a change in PFSG's industry;

c. a change of control of PFSG.

XXII. PFSG is required to make the disclosure required respectively by conditions XX (in respect of subsections 2.9(17.5) and (17.19) of the OM Exemption as referenced above) and XXI of this decision until the earlier of

a. the date PFSG becomes a reporting issuer in any jurisdiction of Canada; and

b. the date PFSG ceases to carry on business.

XXIII. In Ontario, PFSG is designated a market participant under the Securities Act (Ontario).

XXIV. For each distribution made in reliance on this decision, PFSG will file a completed Form 45-106F1 in accordance with Part 6 of NI 45-106, as may be amended from time to time, or within 10 days of the end of the calendar month in which the distribution occurred. For purposes of Form 45-106F1 and the applicable schedules to Form 45-106F1, PFSG or CSC may include the category of restricted dealer where required.

XXV. The first trade in securities distributed in reliance on this decision will be deemed to be a distribution that is subject to section 2.5 of National Instrument 45-102 Resale of Securities.

XXVI. The additional investor protection measures for the Note Program described in representations 38 to 45 above must remain in effect as of the date of distribution.

XXVII. In the event of an amendment to subsection 2.9(2.1)(b) of NI 45-106, the same amendment is deemed to be made to condition I.b of this decision, provided that advice that an investment is suitable may be provided by a portfolio manager, investment dealer, exempt market dealer or CSC.

(3) PFSG will only distribute Notes in a jurisdiction through a dealer that is appropriately registered in the jurisdiction.

(4) This decision will expire upon the date that is five years from the date of this decision.

"Grant Vingoe"
Vice-Chair
Ontario Securities Commission

"Heather Zordel"
Commissioner
Ontario Securities Commission

2.1.7 Canaccord Genuity Growth II Corp.

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

August 27, 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
CANACCORD GENUITY GROWTH II CORP.
(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) the prospectus the Filer is required to file pursuant to the NEO Exchange Listing Manual (the "**NEO Rules**") containing disclosure regarding the Filer's future qualifying transaction (the "**Filer's Prospectus**") and (ii) other prospectuses (together with the Filer's Prospectus, "**Prospectuses**") that may be filed by the Filer under National Instrument 44-101 – *Short Form Prospectus Distributions* ("**NI 44-101**"), including a prospectus filed under National Instrument 44-102 – *Shelf Distributions*;

(b) section 12.3 of NI 41-101 relating to prospectus filing eligibility for distributions of restricted securities, subject securities or securities that are, directly or indirectly, convertible into, or exercisable or exchangeable for, restricted securities or subject securities, shall not apply to distributions of Common Shares, PV Shares (each as defined below), or securities that are, directly or indirectly, convertible into, or exercisable or exchangeable

for, Common Shares or PV Shares (the "**Prospectus Eligibility Exemption**") in connection with Prospectuses;

(c) 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;

(d) Part 3 of OSC Rule 56-501 relating to the withdrawal of prospectus exemptions for distributions of restricted shares, subject securities or securities that are, directly or indirectly, convertible into, or exercisable or exchangeable for restricted shares or subject securities, shall not apply to the distribution of the Common Shares, PV Shares, or securities that are, directly or indirectly, convertible into, or exercisable or exchangeable for, Common Shares or PV Shares (the "**OSC Rule 56-501 Withdrawal Exemption**") in connection with stock distributions (as defined in OSC Rule 56-501) of the Filer; and

(e) 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.

The aforementioned requirements are collectively referred to as the "**Restricted Security Rules**". The Prospectus Disclosure Exemption, the Prospectus Eligibility Exemption, the OSC Rule 56-501 Disclosure Exemption, the OSC Rule 56-501 Withdrawal Exemption and the CD Disclosure 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, Northwest Territories, Nova Scotia, Nunavut, Prince Edward Island, Saskatchewan and Yukon (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 Section 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* (British Columbia) (the "**BCBCA**") and is a reporting issuer in Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Ontario, Prince Edward Island, Saskatchewan and Yukon.

2. The registered and head office of the Filer is located in Vancouver, British Columbia.

3. The Filer is a special purpose acquisition corporation incorporated for the purpose of effecting a qualifying transaction (the "**Qualifying Transaction**") pursuant to the rules of the Aequitas NEO Exchange Inc. (the "**NEO**"). The Filer is specifically focusing its search of the noted acquisition to businesses involved in cannabis production and/or distribution and/or related sectors. However, the Filer is not limited to a particular industry or geographic region for the purposes of the Qualifying Transaction.

4. The authorized capital of the Filer consists of an unlimited number of class A restricted voting shares ("**Class A Shares**"), class B shares ("**Class B Shares**"), Common Shares and proportionate voting shares ("**PV Shares**", and together with the Common Shares, the "**Shares**").

5. As at the date hereof, the Filer has outstanding 33,350,000 Class A Shares, 9,845,000 Class B Shares and 17,342,000 Warrants (as defined below). The Filer has no other shares or warrants outstanding.

6. The Filer's class A restricted voting units are currently listed on the NEO under the symbol "CGGZ.UN". Each class A restricted voting unit consists of one Class A Share and one warrant ("**Warrant**"), with each such Warrant becoming exercisable 65 days following the Qualifying Transaction at a price of $3.45 per each Common Share.

7. As disclosed in the long form prospectus of the Filer dated April 1, 2019, and will be disclosed in the Filer's Prospectus, upon the closing of the Qualifying Transaction, the Class B Shares will convert on a 100-for-1 basis into PV Shares and each Class A Share will convert into one (1) Common Share.

8. Upon completion of the Qualifying Transaction, 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, or securities that are, directly or indirectly, convertible into, or exercisable or exchangeable for PV Shares.

9. Following the Qualifying Transaction:

   (a) The Common Shares may at any time, at the option of the holder thereof and with the consent of the Filer, be converted into PV Shares on the basis of one (1) Common Share for one one-hundredth (0.01) of a PV Share.

   (b) Subject to certain restrictions in place to maintain the Filer's status as a "foreign private issuer" for US securities law purposes, the PV Shares may at any time, at the option of the holder thereof, be converted into Common Shares on the basis of one hundred (100) Common Shares for one (1) PV Share, with fractional PV Shares convertible into Common Shares on the same ratio. If the board of directors of the Filer determines that it is no longer advisable to maintain the PV Shares as a separate class of shares, then the PV Shares shall be converted into Common Shares on the basis of one hundred (100) Common Shares for one (1) PV Share, with fractional PV Shares convertible into Common Shares on the same ratio.

   (c) 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 one hundred (100) 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 fractional PV Shares will be entitled to the applicable fraction thereof, and otherwise without preference or distinction among or between the Shares.

   (d) In the event of the liquidation, dissolution or winding-up of the Filer, the holders of Shares are entitled to participate in the distribution of the remaining property and assets of the Filer, with each PV Share being entitled to one hundred (100) times the amount distributed per Common Share and fractional PV Shares will be entitled to the applicable fraction thereof, and otherwise without preference or distinction among or between the Shares.

   (e) The holders of the Common Shares and PV Shares will be entitled to receive notice of, attend and vote at any meeting of shareholders of the Filer, except those meetings at which holders of a specific class of shares are entitled to vote separately as a class under the BCBCA.

   (f) The Common Shares will carry one (1) vote per share and the PV Shares will carry one hundred (100) votes per share. Fractional PV Shares will be entitled to the number of votes calculated by multiplying the fraction by one hundred (100).

10. The rights, privileges, conditions and restrictions attaching to the Shares may be modified if the amendment is authorized by not less than 66⅔% of the votes cast at a meeting of holders of the Shares duly held for that purpose. However, if the holders of PV Shares, as a class, or the holders of Common Shares, as a class, are to be affected in a manner materially different from such other class of Shares, the amendment must, in addition, be authorized by not less than 66⅔% of the votes cast at a meeting of the holders of the class of shares which is affected differently.

11. No subdivision or consolidation of the Common Shares or PV Shares may be carried out unless, at the same time, the shares of the other class 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 such class of Shares.

12. In addition to the conversion rights described above, if an offer ("**Offer**") is 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 shall have the

right, at their option, to convert their Common Shares into PV Shares for the purposes of allowing the holders of the Common Shares to tender to the Offer.

13. 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 one hundred (100) (an "**Odd Lot**") will be entitled to convert all but not less than all of such Odd Lot of Common Shares into an applicable 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.

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

15. 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.

16. 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.

17. 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.

18. 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 NEO or other exchange listed in OSC Rule 56-501.

19. 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, that 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.

20. 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 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.

21. 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 reporting issuer as well as any other documents that it sends to its securityholders.

22. 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.

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. As the PV Shares will entitle the holders thereof to multiple votes per PV Share held, it will technically represent a class of securities to which multiple votes are 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 Prospectuses and the Filer would be required to provide specific disclosure required by NI 41-101 and NI 44-101 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 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, and

    (c) 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.

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 and the Prospectus Eligibility Exemption as they apply to Prospectuses, at the time the Filer relies on the Exemption Sought:

        (i) the representations in paragraphs 8-13, 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 Prospectuses include disclosure consistent with the representations in paragraphs 8-13 above;

    (b) 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 8-13, 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;

(c) 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 8-13, 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;

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

(i) the representations in paragraphs 8-13, 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.

"Michael Balter"
Manager, Corporate Finance
Ontario Securities Commission

2.2 Orders

2.2.1 Mercal Capital 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).

August 28, 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
MERCAL CAPITAL 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):

1. the Ontario Securities Commission is the principal regulator for this application, and

2. the Filer has provided notice that subsection 4C.5(1) of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) is intended to be relied upon in British Columbia, Alberta and Saskatchewan.

Interpretation

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

Representations

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

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

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

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

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

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

Order

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

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

"Marie-France Bourret"
Manager, Corporate Finance
Ontario Securities Commission

2.2.2 Financial & Risk Transaction Services Ireland Limited – s. 147

Headnote

Application for an order that a Multilateral Trading Facility registered with the Central Bank of Ireland is exempt from the requirement to be recognized as an exchange in Ontario – requested order granted.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 21, 147.

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

AND

IN THE MATTER OF
FINANCIAL & RISK TRANSACTION SERVICES IRELAND LIMITED

ORDER
(Section 147 of the Act)

WHEREAS Financial & Risk Transaction Services Ireland Limited ("**FRTSIL**" or the "**Applican**t") has filed an application on behalf of the Refinitiv Multilateral Trading Facility (the "**Facilit**y" or "**MTF**") dated June 21, 2019, ("**Application**") with the Ontario Securities Commission ("**Commission**") pursuant to section 147 of the Ontario *Securities Act* ("**Act**") requesting an order exempting the Facility from the requirement to be recognized as an exchange under subsection 21(1) of the Act ("**Order**");

AND WHEREAS the Facility is currently operated by Refinitiv Transaction Services Limited ("**RTSL**"), is located in the United Kingdom, and is subject to the regulatory oversight of the UK Financial Conduct Authority;

AND WHEREAS the Facility is currently offered to participants in Ontario pursuant to an Interim Order dated August 17, 2018 (the "**Interim Order**");

AND WHEREAS on June 7, 2019, the Commission granted a variation order extending the termination date of the Interim Order to the earlier of (i) March 1, 2020 and (ii) 90 days after the effective date of a subsequent order exempting the MTF from the requirement to be recognized as an exchange;

AND WHEREAS it is the Applicant's intention to assume operation of the Facility and migrate its operations to Ireland by the end of September 2019;

AND WHEREAS the Applicant has represented to the Commission that:

1. FRTSIL received authorization on March 28, 2019 from the Central Bank of Ireland ("**CBI**"), the Irish financial services regulator, under Part 2 of the Irish European Union ("**Markets in Financial Instruments**") Regulations 2017 ("**2017 Regulations**") as an investment firm, to act as the operator of the MTF;

2. The following types of investment are offered for trading on the Facility: foreign exchange FX forwards (swaps), FX forwards (outrights), FX swaps, FX non-deliverable forwards ("**NDFs**") and FX options;

3. On January 3, 2018, the Markets in Financial Instruments Directive (Directive 2014/65/EU of the European Parliament and of the Council) ("**MiFID II**") entered into force as implemented in the Republic of Ireland with the transposition into national law of the 2014 Regulations, The 2017 Regulations, together with the Markets in Financial Instruments Regulation (Regulation (EU) No 600/2014 of the European Parliament and of the Council) ("**MiFIR**") which is directly applicable in the Republic of Ireland, contain the key requirements governing the regulatory framework for the operator of a multilateral trading facility;

4. Without the Requested Relief, participants in Ontario will be precluded from trading with EU/EEA participants on the MTF, a EU regulated trading venue;

5. The MTF comprises two trading segments known as Forwards Matching and FXall RFQ. All trading segments are governed by the MTF Rule Book ("**Rules**") applicable to the MTF as a whole. Each trading segment further has its own

Rules specific to that trading segment. A client who enters into a Participant Agreement in respect of the MTF (a "Participant") must comply with both the Rules applicable to the Facility as a whole, and the Rules applicable to the specific trading segment to which the Participant is authorized and wishes to access. Trading on the Facility is offered in the financial instruments listed in the following table:

Trading Segment	Financial Instruments (as defined in MiFID II)
Forwards Matching	FX forwards (swaps)
FXall RFQ	FX forwards (outrights), FX swaps, FX NDFs, FX options

These Financial Instruments are admitted in various currency pairs;

6. The Applicant is subject to regulatory supervision by the CBI, pursuant to an authorization to operate a multilateral trading facility granted March 28, 2019.

7. Accordingly, the Applicant is required to comply with the CBI's regulatory framework, which includes, among other things, rules on (i) the conduct of business (including rules regarding client categorization, communication with clients and other investor protections and client agreements), (ii) market conduct (including rules applicable to firms operating a multilateral trading facility), and (iii) systems and controls (including rules on outsourcing, governance, record-keeping and conflicts of interest). The CBI requires the Applicant to comply at all times with a set of threshold conditions for authorization, including requirements that the Applicant is "fit and proper" to be authorized and that it has appropriate resources for the activities it carries on. The Applicant is subject to prudential regulation, including minimum regulatory capital requirements, and is capitalized in excess of regulatory requirements. The Applicant is required to maintain a permanent and effective compliance function. The Applicant's Compliance Department is responsible for implementing and maintaining adequate policies and procedures designed to ensure that the Applicant (and all associated staff) comply with their obligations under the CBI rules. These policies and procedures are set forth in the FRTSIL Compliance Manual and associated internal policies and procedures;

8. The MTF is obliged to have requirements governing the conduct of Participants, to monitor compliance with those requirements and report to the CBI (a) significant breaches of the Facility's Rules, (b) disorderly trading conditions, and (c) conduct that may involve market abuse. The Applicant may also notify the CBI when a Participant's access is terminated, temporarily suspended or subject to condition(s). As required, the Applicant has implemented a trade surveillance program. As part of the program, the Applicant's Compliance Department conducts real-time market monitoring of trading activity on the MTF to identify disorderly trading and market abuse or anomalies. The trade surveillance program is designed to maintain a fair and orderly market for MTF participants;

9. Participants may only connect to the Facility using a connection method permitted by FRTSIL. These connection methods are described more fully in the rules relevant to each specific trading segment. The Forwards Matching trading segment currently permits connections through a Refinitiv GUI application and the Matching application programming interface ("**API**") for FX Forwards. Participants may allow remote-manned use of Refinitiv APIs if the Participant ensures that the API applications in use at the remote site are at all times monitored and managed from that remote monitoring site. The Facility offers publicly available pricing plans based on trading segment, rate engine or pricing tool selected. The rate stated is purely for the MTF transaction component and does not include any pricing for the rates engine or pricing tools used;

10. Participants are responsible for ensuring the prompt exchange and processing of transaction confirmations directly with their counterparties in accordance with market practice. Failure to settle transactions will constitute a breach of the Facility Rules. Participants are also responsible for ensuring that transactions are not required to be cleared pursuant to applicable law. If Participants are required or choose to clear a transaction, they are responsible for making the necessary arrangements;

11. The Applicant requires that all Participants meet the criteria of an Eligible Counterparty, either "per se" or "elective" as defined in Regulation 38 of the European Union (Markets in Financial Instruments) Regulations 2017. Each prospective participant must (i) comply and ensure that its authorized traders comply, and, in each case, continue to comply, with the Rules and applicable law (ii) have a sufficient level of trading ability, skill, competence and experience to conduct activities on the Facility; (iii) must be of adequate financial soundness; (iv) have adequate organizational arrangements commensurate with meeting their own regulatory obligations (v) have in place adequate systems and controls to ensure their on-going compliance with the Rules and management of their trading activities, and (vi) must satisfy any other criteria that FRTSIL may reasonably require from time to time;

12. FRTSIL offers direct access to trading on the MTF to participants that are located in Ontario ("**Ontario Participants**") and are appropriately registered as applicable under Ontario securities laws or are exempt from or not subject to those

requirements, and qualify as an "eligible counterparty" (either "per se" or "elective"), as defined in Regulation 38 of the European Union (Markets in Financial Instruments) Regulations 2017. Ontario Participants are required to notify immediately the Applicant if they cease to meet the criteria of an Eligible Counterparty. Participants must also supply any information requested by the Facility or Applicant to enable monitoring of responsibilities with respect to eligibility and operational criteria;

13. The Facility also requires information to be provided regarding the operational functions of the participants, including the qualifications required of staff in key position and pre and post-trade controls;

14. Ontario Participants may include financial institutions, asset managers, dealers, government entities, pension funds and other well-capitalized entities that meet the criteria described above;

15. The MTF provides certain Ontario Participants with significant access to liquidity for which, at least for certain types of transactions, there is no appropriate alternative platform, and the Ontario capital markets will be disrupted if the Order is not granted;

16. Because the Facility sets requirements for the conduct of its participants and surveils the trading activity of its Participants, it is considered by the Commission to be an exchange;

17. Since the Applicant seeks to provide Ontario Participants with direct access to trading on the Facility, the Facility is considered by the Commission to be "carrying on business as an exchange" in Ontario and is required to be recognized as such or exempted from recognition pursuant to section 21 of the Act;

18. The Facility has no physical presence in Ontario and does not otherwise carry on business in Ontario except as described herein;

AND WHEREAS the products traded on the Facility are not commodity futures contracts as defined in the *Commodity Futures Act* (Ontario) and the Facility is not considered to be carrying on business as a commodity futures exchange in Ontario;

AND WHEREAS the Applicant has acknowledged to the Commission that the scope of the requested relief and the terms and conditions imposed by the Commission set out in Schedule "A" to this order may change as a result of the Commission's monitoring of developments in international and domestic capital markets or the Applicant or the Facility's activities, or as a result of any changes to the laws in Ontario affecting trading in derivatives or securities;

AND WHEREAS based on the Application, together with the representations made by and acknowledgments of the Applicant to the Commission, the Commission has determined that the granting of the requested relief would not be prejudicial to the public interest;

IT IS HEREBY ORDERED by the Commission that, pursuant to section 147 of the Act, the Facility is exempt from recognition as an exchange under subsection 21(1) of the Act,

PROVIDED THAT the Applicant complies with the terms and conditions contained in Schedule "A".

DATED August 30, 2019

"Heather Zordel"

"Raymond Kindiak"

Schedule A

Terms and Conditions

Regulation and Oversight of the Applicant

1. The Applicant will maintain its permission to operate as a multilateral trading facility (MTF) with the Central Bank of Ireland (CBI) and will continue to be subject to the regulatory oversight of the CBI.

2. The Applicant will continue to comply with the ongoing requirements applicable to it as the operator of an MTF authorized by the CBI.

3. The Applicant will promptly notify the Commission if its permission to operate an MTF has been revoked, suspended, or amended by the CBI, or the basis on which its permission to operate an MTF has been granted has significantly changed.

4. The Applicant must do everything within its control, which includes cooperating with the Commission as needed, to carry out its activities as an exchange exempted from recognition under subsection 21(1) of the Act in compliance with Ontario securities law.

Access

5. The Applicant will not provide direct access to a participant in Ontario (Ontario User) unless the Ontario User is appropriately registered as applicable under Ontario securities laws or is exempt from or not subject to those requirements and qualifies as an "eligible counterparty" (either "per se" or "elective"), as defined by Regulation 38 of the European Union (Markets in Financial Instruments) Regulations 2017.

6. For each Ontario User provided direct access to its MTF, the Applicant will require, as part of its application documentation or continued access to the MTF, the Ontario User to represent that it is appropriately registered as applicable under Ontario securities laws or is exempt from or not subject to those requirements.

7. The Applicant may reasonably rely on a written representation from the Ontario User that specifies either that it is appropriately registered as applicable under Ontario securities laws or is exempt from or not subject to those requirements, provided the Applicant notifies such Ontario User that this representation is deemed to be repeated each time it enters an order, request for quote or response to a request for quote or otherwise uses the Applicant's MTF.

8. The Applicant will require Ontario Users to notify the Applicant if their registration as applicable under Ontario securities laws has been revoked, suspended, or amended by the Commission or if they are no longer exempt from or become subject to those requirements and, following notice from the Ontario User and subject to applicable laws, the Applicant will promptly restrict the Ontario User's access to the MTF if the Ontario User is no longer appropriately registered or exempt from those requirements.

9. The Applicant must make available to Ontario Users appropriate training for each person who has access to trade on the Applicant's facilities.

Trading by Ontario Users

10. The Applicant will not provide access to an Ontario User to trading in products other than swaps, as defined in section 1a(47) of the United States Commodity Exchange Act as amended, without prior Commission approval.

Submission to Jurisdiction and Agent for Service

11. With respect to a proceeding brought by the Commission arising out of, related to, concerning or in any other manner connected with the Commission's regulation and oversight of the activities of the Applicant in Ontario, the Applicant will submit to the non-exclusive jurisdiction of (i) the courts and administrative tribunals of Ontario and (ii) an administrative proceeding in Ontario.

12. The Applicant will file with the Commission a valid and binding appointment of an agent for service in Ontario upon whom the Commission may serve a notice, pleading, subpoena, summons or other process in any action, investigation or administrative, criminal, quasi-criminal, penal or other proceeding arising out of, related to, concerning or in any other manner connected with the Commission's regulation and oversight of the Applicant's activities in Ontario.

Disclosure

13. The Applicant will provide to its Ontario Users disclosure that:

    (a) rights and remedies against the Applicant may only be governed by the laws of the Republic of Ireland, rather than the laws of Ontario and may be required to be pursued in the Republic of Ireland rather than in Ontario; and

    (b) the rules applicable to trading on MTF may be governed by the laws of the Republic of Ireland rather than the laws of Ontario.

Prompt Reporting

14. The Applicant will notify staff of the Commission promptly of:

    (a) any material change to its business or operations or the information provided in the Application, including, but not limited to material changes to:

        (i) the regulatory oversight by the CBI;

        (ii) the corporate governance structure of the Applicant;

        (iii) the access model, including eligibility criteria, for Ontario Users;

        (iv) systems and technology; and

        (v) the clearing and settlement arrangements for the Applicant;

    (b) any change in the Applicant's regulations or the laws, rules and regulations in the Republic of Ireland relevant to the financial instruments available for trading on the Applicant's MTF where such change may materially affect its ability to meet the criteria set out in Attachment I to this Schedule;

    (c) any condition or change in circumstances whereby the Applicant is unable or anticipates it will not be able to continue to meet any of the relevant rules and regulations of the CBI, as set forth in the regulatory guidance issued by the CBI or applicable legislation (including the European Union (Markets in Financial Instruments) Regulations 2017 (as amended) and related Irish and European legislation, the Markets in Financial Instruments Regulation (EU) No 600/2014, applicable anti-money laundering, financial sanctions and market abuse legislation).

    (d) any known investigations of, or any disciplinary action against the Applicant by the CBI or any other regulatory authority to which it is subject;

    (e) any matter known to the Applicant that may materially and adversely affect its financial or operational viability, including, but not limited to, any declaration of an emergency pursuant to the Applicant's rules;

    (f) any default, insolvency, or bankruptcy of a participant of the Applicant known to the Applicant or its representatives that may have a material, adverse impact upon the Applicant; and

    (g) any material systems outage, malfunction or delay.

15. The Applicant will promptly provide staff of the Commission with the following information to the extent it is required to provide to or file such information with the CBI:

    (a) details of any material legal proceeding instituted against the Applicant;

    (b) notification that the Applicant has instituted a petition for a judgment of bankruptcy or insolvency or similar relief, or to wind up or liquidate the Applicant or has a proceeding for any such petition instituted against it; and

    (c) the appointment of a receiver or the making of any voluntary arrangement with creditors.

Quarterly Reporting

16. The Applicant will maintain the following updated information and submit such information in a manner and form acceptable to the Commission on a quarterly basis (within 30 days of the end of each calendar quarter), and at any time promptly upon the request of staff of the Commission:

    (a) a current list of all Ontario Users and whether the Ontario User is registered under Ontario securities laws or is exempt from or not subject to registration, and, to the extent known by the Applicant, other persons or companies located in Ontario trading on the Applicant's MTF as customers of participants (Other Ontario Participants);

    (b) the legal entity identifier assigned to each Ontario User, and, to the extent known by the Applicant, to Other Ontario Participants in accordance with the standards set by the Global Legal Entity Identifier System;

    (c) a list of all Ontario Users whom the Applicant has referred to the CBI, or, to the best of the Applicant's knowledge, whom have been disciplined by the CBI with respect to such Ontario Users' activities on the Applicant's MTF and the aggregate number of all participants referred to the CBI in the last quarter by the Applicant;

    (d) a list of all active investigations during the quarter by the Applicant relating to Ontario Users and the aggregate number of active investigations during the quarter relating to all participants undertaken by the Applicant;

    (e) a list of all Ontario applicants for status as a participant who were denied such status or access to the Applicant during the quarter, together with the reasons for each such denial;

    (f) a list of all additions, deletions, or changes to the products available for trading since the prior quarter;

    (g) for each product,

        (i) the total trading volume and value on the MTF originating from Ontario Users, and, to the extent known by the Applicant, from Other Ontario Participants, presented on a per Ontario User or per Other Ontario Participant basis; and

        (ii) the proportion of worldwide trading volume and value on the MTF conducted by Ontario Users, and, to the extent known by the Applicant, by Other Ontario Participants, presented in the aggregate for such Ontario Users and Other Ontario Participants;

        provided in the required format; and

    (h) a list outlining each material incident of a security breach, systems failure, malfunction, or delay (including cyber security breaches, systems failures, malfunctions or delays reported under section 14(g) of this Schedule) that occurred at any time during the quarter for any system relating to trading activity, including trading, routing or data, specifically identifying the date, duration and reason, to the extent known or ascertainable by the Applicant, for the failure, malfunction or delay, and noting any corrective action taken.

Annual Reporting

17. The Applicant will file with the Commission any annual financial report or financial statements (audited or unaudited) of the Applicant provided to or filed with the CBI promptly after filing with the CBI.

Information Sharing

18. The Applicant will provide such information as may be requested from time to time by, and otherwise cooperate with, the Commission or its staff, subject to any applicable privacy or other laws (including solicitor-client privilege) governing the sharing of information and the protection of personal information.

APPENDIX 1

CRITERIA FOR EXEMPTION OF A FOREIGN EXCHANGE TRADING OTC DERIVATIVES FROM RECOGNITION AS AN EXCHANGE

PART 1 REGULATION OF THE EXCHANGE

1.1 Regulation of the Exchange

The exchange is regulated in an appropriate manner in another jurisdiction by a foreign regulator (Foreign Regulator).

1.2 Authority of the Foreign Regulator

The Foreign Regulator has the appropriate authority and procedures for oversight of the exchange. This includes regular, periodic oversight reviews of the exchange by the Foreign Regulator.

PART 2 GOVERNANCE

2.1 Governance

The governance structure and governance arrangements of the exchange ensure:

(a) effective oversight of the exchange,

(b) that business and regulatory decisions are in keeping with its public interest mandate,

(c) fair, meaningful and diverse representation on the board of directors (Board) and any committees of the Board, including:

(i) appropriate representation of independent directors, and

(ii) a proper balance among the interests of the different persons or companies using the services and facilities of the exchange,

(d) the exchange has policies and procedures to appropriately identify and manage conflicts of interest for all officers, directors and employees, and

(e) there are appropriate qualifications, remuneration, limitation of liability and indemnity provisions for directors, officers and employees of the exchange.

2.2 Fitness

The exchange has policies and procedures under which it will take reasonable steps, and has taken such reasonable steps, to ensure that each director and officer is a fit and proper person and past conduct of each officer or director affords reasonable grounds for belief that the officer or director will perform his or her duties with integrity.

PART 3 REGULATION OF PRODUCTS

3.1 Review and Approval of Products

The products traded on the exchange and any changes thereto are submitted to the Foreign Regulator, and are either approved by the Foreign Regulator or are subject to requirements established by the Foreign Regulator that must be met before implementation of a product or changes to a product.

3.2 Product Specifications

The terms and conditions of trading the products are in conformity with the usual commercial customs and practices for the trading of such products.

3.3 Risks Associated with Trading Products

The exchange maintains adequate provisions to measure, manage and mitigate the risks associated with trading products on the exchange that may include, but are not limited to, daily trading limits, price limits, position limits, and internal controls.

PART 4 ACCESS

4.1 Fair Access

(a) The exchange has established appropriate written standards for access to its services including requirements to ensure

(i) participants are appropriately registered as applicable under Ontario securities laws, or exempted from these requirements,

(ii) the competence, integrity and authority of systems users, and

(iii) systems users are adequately supervised.

(b) The access standards and the process for obtaining, limiting and denying access are fair, transparent and applied reasonably.

(c) The exchange does not unreasonably prohibit, condition or limit access by a person or company to services offered by it.

(d) The exchange does not

(i) permit unreasonable discrimination among participants, or

(ii) impose any burden on competition that is not reasonably necessary and appropriate.

(e) The exchange keeps records of each grant and each denial or limitation of access, including reasons for granting, denying or limiting access.

PART 5 REGULATION OF PARTICIPANTS ON THE EXCHANGE

5.1 Regulation

The exchange has the authority, resources, capabilities, systems and processes to allow it to perform its regulation functions, whether directly or indirectly through a regulation services provider, including setting requirements governing the conduct of its participants, monitoring their conduct, and appropriately disciplining them for violations of exchange requirements.

PART 6 RULEMAKING

6.1 Purpose of Rules

(a) The exchange has rules, policies and other similar instruments (Rules) that are designed to appropriately govern the operations and activities of participants and do not permit unreasonable discrimination among participants or impose any burden on competition that is not reasonably necessary or appropriate.

(b) The Rules are not contrary to the public interest and are designed to

(i) ensure compliance with applicable legislation,

(ii) prevent fraudulent and manipulative acts and practices,

(iii) promote just and equitable principles of trade,

(iv) foster co-operation and co-ordination with persons or companies engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in the products traded on the exchange,

(v) provide a framework for disciplinary and enforcement actions, and

(vi) ensure a fair and orderly market.

PART 7 DUE PROCESS

7.1 Due Process

For any decision made by the exchange that affects a participant, or an applicant to be a participant, including a decision in relation to access, exemptions, or discipline, the exchange ensures that:

(a) parties are given an opportunity to be heard or make representations, and

(b) it keeps a record of, gives reasons for, and provides for appeals or reviews of its decisions.

PART 8 CLEARING AND SETTLEMENT

8.1 Clearing Arrangements

The exchange has or requires its participants to have appropriate arrangements for the clearing and settlement of transactions for which clearing is mandatory through a clearing house.[1]

8.2 Risk Management of Clearing House

The exchange has assured itself that the clearing house has established appropriate risk management policies and procedures, contingency plans, default procedures and internal controls.

PART 9 SYSTEMS AND TECHNOLOGY

9.1 Systems and Technology

Each of the exchange's critical systems has appropriate internal controls to ensure completeness, accuracy, integrity and security of information, and, in addition, has sufficient capacity and business continuity plans to enable the exchange to properly carry on its business. Critical systems are those that support the following functions:

(a) order entry,

(b) order routing,

(c) execution,

(d) trade reporting,

(e) trade comparison,

(f) data feeds,

(g) market surveillance,

(h) trade clearing, and

(i) financial reporting.

9.2 System Capability/Scalability

Without limiting the generality of section 9.1, for each of its systems supporting order entry, order routing, execution, data feeds, trade reporting and trade comparison, the exchange:

(a) makes reasonable current and future capacity estimates;

[1] For the purposes of these criteria, "clearing house" also means a "clearing agency".

(b) conducts capacity stress tests to determine the ability of those systems to process transactions in an accurate, timely and efficient manner;

(c) reviews the vulnerability of those systems and data centre computer operations to internal and external threats, including physical hazards and natural disasters;

(d) ensures that safeguards that protect a system against unauthorized access, internal failures, human errors, attacks and natural catastrophes that might cause improper disclosures, modification, destruction or denial of service are subject to an independent and ongoing audit which should include the physical environment, system capacity, operating system testing, documentation, internal controls and contingency plans;

(e) ensures that the configuration of the system has been reviewed to identify potential points of failure, lack of back-up and redundant capabilities;

(f) maintains reasonable procedures to review and keep current the development and testing methodology of those systems; and

(g) maintains reasonable back-up, contingency and business continuity plans, disaster recovery plans and internal controls.

9.3 Information Technology Risk Management Procedures

The exchange has appropriate risk management procedures in place including those that handle trading errors, trading halts and respond to market disruptions and disorderly trading.

PART 10 FINANCIAL VIABILITY

10.1 Financial Viability

The exchange has sufficient financial resources for the proper performance of its functions and to meet its responsibilities.

PART 11 TRADING PRACTICES

11.1 Trading Practices

Trading practices are fair, properly supervised and not contrary to the public interest.

11.2 Orders

Rules pertaining to order size and limits are fair and equitable to all market participants and the system for accepting and distinguishing between and executing different types of orders is fair, equitable and transparent.

11.3 Transparency

The exchange has adequate arrangements to record and publish accurate and timely information as required by applicable law or the Foreign Regulator. This information is also provided to all participants on an equitable basis.

PART 12 COMPLIANCE, SURVEILLANCE AND ENFORCEMENT

12.1 Jurisdiction

The exchange or the Foreign Regulator has the jurisdiction to perform member and market regulation, including the ability to set rules, conduct compliance reviews and perform surveillance and enforcement.

12.2 Member and Market Regulation

The exchange or the Foreign Regulator maintains appropriate systems, resources and procedures for evaluating compliance with exchange and legislative requirements and for disciplining participants.

12.3 Availability of Information to Regulators

The exchange has mechanisms in place to ensure that the information necessary to conduct adequate surveillance of the system for supervisory or enforcement purposes is available to the relevant regulatory authorities, including the Commission, on a timely basis.

PART 13 RECORD KEEPING

13.1 Record Keeping

The exchange has and maintains adequate systems in place for the keeping of books and records, including, but not limited to, those concerning the operations of the exchange, audit trail information on all trades, and compliance with, and/or violations of exchange requirements.

PART 14 OUTSOURCING

14.1 Outsourcing

Where the exchange has outsourced any of its key services or systems to a service provider, it has appropriate and formal arrangements and processes in place that permit it to meet its obligations and that are in accordance with industry best practices.

PART 15 FEES

15.1 Fees

(a) All fees imposed by the exchange are reasonable and equitably allocated and do not have the effect of creating an unreasonable condition or limit on access by participants to the services offered by the exchange.

(b) The process for setting fees is fair and appropriate, and the fee model is transparent.

PART 16 INFORMATION SHARING AND OVERSIGHT ARRANGEMENTS

16.1 Information Sharing and Regulatory Cooperation

The exchange has mechanisms in place to enable it to share information and otherwise co-operate with the Commission, self-regulatory organizations, other exchanges, clearing agencies, investor protection funds, and other appropriate regulatory bodies.

16.2 Oversight Arrangements

Satisfactory information sharing and oversight agreements exist between the Commission and the Foreign Regulator.

PART 17 IOSCO PRINCIPLES

17.1 IOSCO Principles

To the extent it is consistent with the laws of the foreign jurisdiction, the exchange adheres to the standards of the International Organisation of Securities Commissions (IOSCO) including those set out in the “Principles for the Regulation and Supervision of Commodity Derivatives Markets” (2011).

2.2.3 Western Asset Management Company, LLC – s. 80 of the CFA

Headnote

Section 80 of the Commodity Futures Act (Ontario) – Foreign adviser exempted from the adviser registration requirement in paragraph 22(1)(b) of the CFA where such adviser acts as an adviser in respect of commodity futures contracts or commodity futures options (Contracts) for certain investors in Ontario who meet the definition of "permitted client" in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations – Contracts are primarily traded on commodity futures exchanges outside of Canada and primarily cleared outside of Canada.

Terms and conditions of exemption correspond to the relevant terms and conditions of the comparable exemption from the adviser registration requirement available to international advisers in respect of securities set out in section 8.26 of National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations – Exemption also subject to a "sunset clause" condition.

Applicable Legislative Provisions

Commodity Futures Act, R.S.O. 1990, c. C.20, as am., ss. 1(1), 22(1)(b), and 80.
Securities Act, R.S.O. 1990, c. S.5, as am., s. 25(3).
National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations, ss. 1.1 and 8.26.
Ontario Securities Commission Rule 13-502 Fees.

August 30, 2019

IN THE MATTER OF
THE COMMODITY FUTURES ACT,
R.S.O. 1990, CHAPTER C.20, AS AMENDED (the CFA)

AND

IN THE MATTER OF
WESTERN ASSET MANAGEMENT COMPANY, LLC

ORDER
(Section 80 of the CFA)

UPON the application (the **Application**) of Western Asset Management Company, LLC (the **Applicant**) to the Ontario Securities Commission (the **Commission**) for an order, pursuant to section 80 of the CFA (the **Order**), that the Applicant, and any individuals engaging in, or holding themselves out as engaging in, the business of advising others as to trading in Foreign Contracts (as defined below) on the Applicant's behalf (the **Representatives**), be exempt, for a specified period of time, from the adviser registration requirement in paragraph 22(1)(b) of the CFA, subject to certain terms and conditions;

AND UPON considering the Application and the recommendation of staff of the Commission;

AND WHEREAS for the purposes of this Order:

"**CFA Adviser Registration Requirement**" means the provisions of section 22 of the CFA that prohibit a person or company from acting as an adviser with respect to trading in Contracts unless the person or company is registered in the appropriate category of registration under the CFA;

"**CFTC**" means the Commodity Futures Trading Commission of the United States;

"**Contract**" has the meaning ascribed to that term in subsection 1(1) of the CFA;

"**Foreign Contract**" means a Contract that is primarily traded on one or more organized exchanges that are located outside of Canada and primarily cleared through one or more clearing corporations that are located outside of Canada;

"**International Adviser Exemption**" means the exemption set out in section 8.26 of NI 31-103 from the OSA Adviser Registration Requirement;

"**NFA**" means National Futures Association of the United States;

"**NI 31-103**" means National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*, as amended from time to time;

"**OSA**" means the *Securities Act*, R.S.O. 1990, c. S.5, as amended from time to time;

"**OSA Adviser Registration Requirement**" means the provisions of section 25 of the OSA that prohibit a person or company from acting as an adviser with respect to investing in, buying or selling securities, unless the person or company is registered in the appropriate category of registration under the OSA;

"**Permitted Client**" means a client in Ontario that is a "permitted client", as that term is defined in section 1.1 of NI 31-103, except that for purposes of the Order such definition shall exclude a person or company registered as an adviser or dealer under the securities or derivatives legislation, including commodity futures legislation, of a jurisdiction of Canada;

"**Previous Order**" means the exemption from the CFA Adviser Registration Requirement in respect of providing advice to Permitted Clients as to the trading of Foreign Contracts (subject to certain terms and conditions), granted by the Commission to the Applicant on September 9, 2014, and expiring on September 9, 2019;

"**SEC**" means the Securities and Exchange Commission of the United States;

"**specified affiliate**" has the meaning ascribed to that term in Form 33-109F6 to National Instrument 33-109 *Registration Information*;

"**U.S.**" or "**United States**" means the United States of America; and

"**U.S. Advisers Act**" means the *Investment Advisers Act of 1940* of the United States, as amended from time to time.

AND UPON the Applicant having represented to the Commission that:

1. The Applicant is a limited liability company organized under the laws of the State of California, in the United States. The Applicant's principal place of business is located in Pasadena, California, in the United States.

2. The Applicant is a wholly-owned subsidiary of Legg Mason, Inc., a global asset management firm, the shares of which are listed on the New York Stock Exchange for trading under the symbol "LM".

3. In the United States, the Applicant is currently:

   (a) registered with the SEC as an investment adviser under the U.S. Advisers Act;

   (b) regulated by the CFTC as a commodity trading adviser under the *Commodity Exchange Act*; and

   (c) a member of the NFA.

4. The Applicant engages in the business of an adviser with respect to securities and with respect to Contracts in Pasadena, California and its other offices in the United States. As of June 30, 2019, the Applicant managed approximately U.S.$372.6 billion in assets.

5. The Applicant provides investment management services to its clients, on a fully discretionary and also non-discretionary basis, through funds and separately managed accounts, across multiple strategies and financial instruments, including Foreign Contracts.

6. Permitted Clients seek to access certain specialized portfolio management services provided by the Applicant, including advice as to trading in Foreign Contracts.

7. The Applicant is registered in a category of registration, or operates under an exemption from registration, under the applicable securities legislation or commodity futures legislation of the United States, that permits it to carry on the activities in the United States that registration as an adviser under the CFA in the category of commodity trading manager would permit it to carry on in Ontario.

8. The Applicant advises Permitted Clients with respect to foreign securities in reliance on the International Adviser Exemption and therefore is not registered under the OSA.

9. The Applicant is not registered in any capacity under the CFA.

10. In reliance on, and in accordance with the terms and conditions of, the Previous Order, the Applicant provides advisory services to Permitted Clients in respect of Foreign Contracts in connection principally with respect to fixed income futures, commodity futures, and options on commodity futures.

11. As it does pursuant to the Previous Order, the Applicant proposes to continue providing advisory services in respect of Foreign Contracts to Permitted Clients (**Advisory Services**).

12. The Applicant is not in default of securities legislation, commodity futures legislation, or derivatives legislation of any jurisdiction in Canada. The Applicant is in compliance in all material respects with the securities laws, commodity futures laws, and derivatives laws of the United States.

13. To the best of the Applicant's knowledge, the Applicant confirms that there are currently no regulatory actions of the type contemplated by the *Notice of Regulatory Action* attached as **Error! Reference source not found.** to the Order, other than those previously filed with the Commission in connection with the Previous Order.

14. There is currently no exemption from the CFA Adviser Registration Requirement that is equivalent to the International Adviser Exemption. Consequently, in the absence of the Order, the Applicant would be required to satisfy the CFA Adviser Registration Requirement to provide the Advisory Services by applying for and obtaining registration in Ontario as an adviser under the CFA in the category of commodity trading manager.

15. In connection with the Previous Order, the Applicant has submitted to the Commission a completed *Submission to Jurisdiction and Appointment of Agent for Service* substantially in the form attached as **Error! Reference source not found.** to the Order.

16. If the advisory services were being provided by the Applicant with respect to securities (as defined in subsection 1(1) of the OSA), the Applicant would be able to rely on the International Adviser Exemption to provide such services to Permitted Clients on a basis that would be exempt from the OSA Adviser Registration Requirement.

AND UPON being satisfied that it would not be prejudicial to the public interest for the Commission to make this Order,

IT IS ORDERED, pursuant to section 80 of the CFA, that the Applicant and its Representatives are exempt from the adviser registration requirement in paragraph 22(1)(b) of the CFA in respect of providing advice to Permitted Clients as to the trading of Foreign Contracts provided that:

(a) the Applicant provides advice to Permitted Clients only as to trading in Foreign Contracts and does not advise any Permitted Client as to trading in Contracts that are not Foreign Contracts, unless providing such advice is incidental to its providing advice on Foreign Contracts;

(b) the Applicant's head office or principal place of business remains in the United States;

(c) the Applicant is registered in a category of registration, or operates under an exemption from registration, under the applicable securities legislation or commodity futures legislation of the United States, that permits it to carry on the activities in the United States that registration as an adviser under the CFA in the category of commodity trading manager would permit it to carry on in Ontario;

(d) the Applicant continues to engage in the business of an adviser, as defined in the CFA, in the United States;

(e) as at the end of the Applicant's most recently completed financial year, not more than 10% of the aggregate consolidated gross revenue of the Applicant, its affiliates and its affiliated partnerships (excluding the gross revenue of an affiliate or affiliated partnership of the Applicant if the affiliate or affiliated partnership is registered under securities legislation, commodities futures legislation or derivatives legislation of a jurisdiction of Canada) was derived from the portfolio management activities of the Applicant, its affiliates and its affiliated partnerships in Canada (which, for greater certainty, includes both securities-related and commodity futures-related activities);

(f) before advising a Permitted Client with respect to Foreign Contracts, the Applicant notifies the Permitted Client of all of the following:

  (i) the Applicant is not registered in Ontario to provide the advice described under paragraph (a) of this Order;

  (ii) the foreign jurisdiction in which the Applicant's head office or principal place of business is located;

  (iii) all, or substantially all, of the Applicant's assets may be situated outside of Canada;

  (iv) there may be difficulty enforcing legal rights against the Applicant because of the above; and

  (v) the name and address of the Applicant's agent for service of process in Ontario;

(g) the Applicant has submitted to the Commission a completed *Submission to Jurisdiction and Appointment of Agent for Service* in the form attached as **Error! Reference source not found.**;

(h) the Applicant notifies the Commission of any regulatory action initiated after the date of this Order with respect to the Applicant or, to the best of the Applicant's knowledge and after any reasonable inquiry, any predecessors or the specified affiliates of the Applicant by filing **Error! Reference source not found.** within 10 days of the commencement of each such action; and

(i) if the Applicant is not subject to the requirement to pay a participation fee in Ontario because it is not registered under the OSA and does not rely on the International Adviser Exemption, by December 31st of each year, the Applicant pays a participation fee based on its specified Ontario revenues for its previous financial year in compliance with the requirements of Part 3 and section 6.4 of Ontario Securities Commission Rule 13-502 *Fees* as if the Applicant relied on the International Adviser Exemption; and

IT IS FURTHER ORDERED that this Order will terminate on the earliest of:

(a) the expiry of any transition period as may be provided by law, after the effective date of the repeal of the CFA;

(b) six months, or such other transition period as may be provided by law, after the coming into force of any amendment to Ontario commodity futures law (as defined in the CFA) or Ontario securities law (as defined in the OSA) that affects the ability of the Applicant to act as an adviser to a Permitted Client; and

(c) five years after the date of this Order.

DATED at Toronto, Ontario this 30th day of August, 2019.

"Heather Zordel"

Commissioner
Ontario Securities Commission

"Raymond Kindiak"

Commissioner
Ontario Securities Commission

APPENDIX "A"

SUBMISSION TO JURISDICTION AND APPOINTMENT OF AGENT FOR SERVICE

INTERNATIONAL DEALER OR INTERNATIONAL ADVISER EXEMPTED FROM REGISTRATION UNDER THE *COMMODITY FUTURES ACT*, ONTARIO

Name of person or company ("International Firm"):

If the International Firm was previously assigned an NRD number as a registered firm or an unregistered exempt international firm, provide the NRD number of the firm:

Jurisdiction of incorporation of the International Firm:

Head office address of the International Firm:

The name, e-mail address, phone number and fax number of the International Firm's individual(s) responsible for the supervisory procedure of the International Firm, its chief compliance officer, or equivalent.

Name:
E-mail address:
Phone:
Fax:

The International Firm is relying on an exemption order under section 38 or section 80 of the *Commodity Futures Act* (Ontario) that is similar to the following exemption in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (the "Relief Order"):

☐ Section 8.18 [*international dealer*]

☐ Section 8.26 [*international adviser*]

☐ Other [specify]:

Name of agent for service of process (the "Agent for Service"):

Address for service of process on the Agent for Service:

The International Firm designates and appoints the Agent for Service at the address stated above as its agent upon whom may be served a notice, pleading, subpoena, summons or other process in any action, investigation or administrative, criminal, quasi-criminal or other proceeding (a "Proceeding") arising out of or relating to or concerning the International Firm's activities in the local jurisdiction and irrevocably waives any right to raise as a defence in any such proceeding any alleged lack of jurisdiction to bring such Proceeding.

The International Firm irrevocably and unconditionally submits to the non-exclusive jurisdiction of the judicial, quasi-judicial and administrative tribunals of the local jurisdiction in any Proceeding arising out of or related to or concerning the International Firm's activities in the local jurisdiction.

Until 6 years after the International Firm ceases to rely on the Relief Order, the International Firm must submit to the regulator

a. a new Submission to Jurisdiction and Appointment of Agent for Service in this form no later than the 30th day before the date this Submission to Jurisdiction and Appointment of Agent for Service is terminated;

b. an amended Submission to Jurisdiction and Appointment of Agent for Service no later than the 30th day before any change in the name or above address of the Agent for Service;

c. a notice detailing a change to any information submitted in this form, other than the name or above address of the Agent for Service, no later than the 30th day after the change.

This Submission to Jurisdiction and Appointment of Agent for Service is governed by and construed in accordance with the laws of the local jurisdiction.

Dated: _____

_____
(Signature of the International Firm or authorized signatory)

_____
(Name of signatory)

_____
(Title of signatory)

Acceptance

The undersigned accepts the appointment as Agent for Service of _____ [*Insert name of International Firm*] under the terms and conditions of the foregoing Submission to Jurisdiction and Appointment of Agent for Service.

Dated: _____

_____
(Signature of the Agent for Service or authorized signatory)

_____
(Name of signatory)

_____
(Title of signatory)

This form, and notice of a change to any information submitted in this form, is to be submitted through the Ontario Securities Commission's Electronic Filing Portal:

https://www.osc.gov.on.ca/filings

APPENDIX "B"

NOTICE OF REGULATORY ACTION

1. Settlement Agreements

Has the firm, or any predecessors or specified affiliates[1] of the firm entered into a settlement agreement with any financial services regulator, securities or derivatives exchange, SRO or similar agreement with any financial services regulator, securities or derivatives exchange, SRO or similar organization?

Yes _____ No _____

If yes, provide the following information for each settlement agreement:

Name of entity
Regulator/organization
Date of settlement (yyyy/mm/dd)
Details of settlement
Jurisdiction

2. Disciplinary History

Has any financial services regulator, securities or derivatives exchange, SRO or similar organization:

		Yes	No
(a)	Determined that the firm, or any predecessors or specified affiliates of the firm violated any securities regulations or any rules of a securities or derivatives exchange, SRO or similar organization?	___	___
(b)	Determined that the firm, or any predecessors or specified affiliates of the firm made a false statement or omission?	___	___
(c)	Issued a warning or requested an undertaking by the firm, or any predecessors or specified affiliates of the firm?	___	___
(d)	Suspended or terminated any registration, licensing or membership of the firm, or any predecessors or specified affiliates of the firm?	___	___
(e)	Imposed terms or conditions on any registration or membership of the firm, or predecessors or specified affiliates of the firm?	___	___
(f)	Conducted a proceeding or investigation involving the firm, or any predecessors or specified affiliates of the firm?	___	___
(g)	Issued an order (other than an exemption order) or a sanction to the firm, or any predecessors or specified affiliates of the firm for securities or derivatives-related activity (e.g. cease trade order)?	___	___

If yes, provide the following information for each action:

Name of entity	
Type of action	
Regulator/organization	
Date of action (yyyy/mm/dd)	Reason for action
Jurisdiction	

[1] In this Appendix, the term "specified affiliate" has the meaning ascribed to that term in Form 33-109F6 to National Instrument 33-109 *Registration Information*.

3. Ongoing Investigations

Is the firm aware of any ongoing investigation of which the firm or any of its specified affiliates is the subject?

Yes _____ No _____

If yes, provide the following information for each investigation:

Name of entity
Reason or purpose of investigation
Regulator/organization
Date investigation commenced (yyyy/mm/dd)
Jurisdiction

Authorized signing officer or partner

Name of firm:
Name of firm's authorized signing officer or partner
Title of firm's authorized signing officer or partner
Signature
Date (yyyy/mm/dd)

Witness

The witness must be a lawyer, notary public or commissioner of oaths.

Name of witness
Title of witness
Signature
Date (yyyy/mm/dd)

This form is to be submitted through the Ontario Securities Commission's Electronic Filing Portal:

https://www.osc.gov.on.ca/filings

2.2.4 M2 Cobalt Corp.

Headnote

National Policy 11-206 Process for Cease to be a Reporting Issuer Applications – Cease to be a reporting issuer – The securities of the issuer are beneficially owned by more than 50 persons and are not traded through any exchange or market – Following an arrangement, all of the issuer's common shares were acquired by another company; all of the issuer's other outstanding securities are exercisable for securities of the acquirer; the acquirer is a reporting issuer and in compliance with its continuous disclosure obligations; the issuer filed notice of its application to cease to be a reporting issuer; securities of the issuer are not traded through any exchange or market.

Applicable Legislative Provisions

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

August 26, 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
M2 COBALT CORP.
(the Filer)

ORDER

Background

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

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

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

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

(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 (formerly known as Accend Capital Corporation) was incorporated on December 3, 2007 as a capital pool company under the *Business Corporations Act* (British Columbia) (the BCBCA); the name of the Filer was changed to M2 Cobalt Corp. pursuant to certificate of change of name dated November 27, 2017;

2. prior to the Arrangement (as defined below), the Filer's head office was located at Suite 2000 – 1177 West Hastings Street, Vancouver, British Columbia, V6E 2K3; the Filer's registered and records office is located at 20th Floor, 250 Howe Street, Vancouver, British Columbia, V6C 3R8;

3. the common shares in the capital of the Filer (the M2 Cobalt Shares) traded on the TSX Venture Exchange (the TSX-V) under the symbol "MC" and on the OTCQB Venture Market (the OTCQB) under the symbol "MCCBF"; no other securities of the Filer were listed on any exchange;

4. Jervois Mining Limited (Jervois) is a corporation existing under the laws of Australia and is extra-provincially registered in British Columbia; the authorized share capital of Jervois consists of an unlimited number of ordinary shares (the Jervois Shares); the Jervois Shares are listed on the Australian Stock Exchange and the TSX-V under the symbol "JRV";

5. immediately prior to the Effective Time (as defined below), the Filer had the following issued and outstanding securities: (i) 63,819,995 M2 Cobalt Shares; (ii) 13,322,012 common share purchase warrants (the M2 Cobalt Warrants) which, based on the Filer's records, are held by 144 holders; (iii) 6,232,500 incentive stock options (the M2 Cobalt Options) which, based on the Filer's records, are held by 17 holders; and (iv) a US$3,000,000 convertible bridge loan facility held solely by Jervois;

6. effective at 12:01 a.m. (Pacific Daylight Time) on June 19, 2019 (the Effective Time), Jervois acquired all of the issued and outstanding M2 Cobalt Shares by way of a statutory plan of arrangement under the BCBCA (the Arrangement);

7. the notice of special meeting of holders of M2 Cobalt Shares (the M2 Cobalt Shareholders) and management information circular of the Filer was delivered to the M2 Cobalt Shareholders entitled to vote at the special meeting of the M2 Cobalt Shareholders that took place on June 14, 2019 to consider the Arrangement;

8. in accordance with the terms of the Arrangement, Jervois acquired all of the M2 Cobalt Shares, for consideration consisting of 1 Jervois Share for each outstanding M2 Cobalt Share (the Share Consideration); additionally, Jervois assumed all of the M2 Cobalt Warrants and all of the M2 Cobalt Options as follows:

   (a) pursuant to the terms of the Arrangement and the certificates representing the M2 Cobalt Warrants (the Warrant Certificates), each holder of an M2 Cobalt Warrant became entitled to receive, and Jervois became obligated to provide, upon the exercise of the M2 Cobalt Warrants, such number of Jervois Shares which the holder would have been entitled to receive if the holder had exercised their M2 Cobalt Warrants immediately prior to the Effective Time; and

   (b) pursuant to the terms of the Arrangement, the M2 Cobalt Stock Option Plan (the M2 Cobalt Stock Option Plan), which governs the M2 Cobalt Options, and the stock option amending agreements dated March 12, 2019 between M2 Cobalt, on the one hand, and each of the holders of the M2 Cobalt Options, on the other hand (the Stock Option Amending Agreements), each holder of an M2 Cobalt Option became entitled to receive, and Jervois became obligated to provide, upon the exercise of the M2 Cobalt Options, such number of Jervois Shares which the holder would have been entitled to receive if the holder had exercised their M2 Cobalt Options immediately prior to the Effective Time;

9. the Filer is not required to remain a reporting issuer pursuant to the terms of the Warrant Certificates, the M2 Cobalt Stock Option Plan or the Stock Option Amending Agreements; the treatment of the M2 Cobalt Warrants and M2 Cobalt Options in the Arrangement is consistent with the terms of the Warrant Certificates and the M2 Cobalt Stock Option Plan, as applicable; as a result of such treatment, the M2 Cobalt Warrants and M2 Cobalt Options represent the right to receive Jervois Shares and not the M2 Cobalt Shares; as a result, no consents or approvals were required from the holders of the M2 Cobalt Warrants and the M2 Cobalt Options;

10. in connection with the Arrangement, additional Jervois Shares were authorized for issuance upon exercise of the M2 Cobalt Warrants and M2 Cobalt Options;

11. the M2 Cobalt Shares were delisted from the TSX-V and the OTCQB effective at the close of business on June 20, 2019;

12. Jervois is a reporting issuer in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland and Labrador; as such, Jervois is subject to continuous disclosure requirements; Jervois' continuous disclosure is relevant to holders of M2 Cobalt Warrants and M2 Cobalt Options as such holders are entitled to receive Jervois Shares upon exercise of such securities;

13. Jervois is not in default of securities legislation in any jurisdiction;

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

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

16. 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;

17. the Filer is not a reporting issuer in any jurisdiction of Canada other than the jurisdictions identified in this order; the Filer is applying for an order that it has ceased to be a reporting issuer in all of the jurisdictions of Canada in which it is currently a reporting issuer;

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

19. the Filer is not eligible to use the simplified procedure under National Policy 11-206 *Process for Cease to be a Reporting Issuer Applications* because the M2 Cobalt Warrants and the M2 Cobalt Options are not 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; and

20. upon the granting of the Order Sought, the Filer will not be a reporting issuer or the equivalent in any jurisdiction in Canada.

Order

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

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

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

2.2.5 Delivra 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).

Statutes Cited

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

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

AND

IN THE MATTER OF
DELIVRA 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 July 30, 2019, the Applicant was granted an order (the "**July 30 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 of 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 July 30 Order continue to be true.

AND UPON the Commission being satisfied that to do so would not 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 8th day of August 2019.

"Heather Zordel"
Commissioner

"Raymond Kindiak"
Commissioner

2.3 Orders with Related Settlement Agreements

2.3.1 The Toronto-Dominion Bank – ss. 127, 127.1

FILE NO.: 2019-31

IN THE MATTER OF
THE TORONTO-DOMINION BANK

D. Grant Vingoe, Vice-Chair and Chair of the Panel
Lawrence P. Haber, Commissioner
Heather Zordel, Commissioner

August 30, 2019

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

WHEREAS on August 30, 2019, the Ontario Securities Commission held a hearing at the offices of the Commission, to consider the Joint Request for a Settlement Hearing filed by The Toronto-Dominion Bank (**TD**) and Staff of the Commission (**Staff**) for approval of a settlement agreement entered into on August 23, 2019 (the **Settlement Agreement**);

ON READING the Statement of Allegations dated August 26, 2019 and the Settlement Agreement, and on hearing the submissions of the representatives for TD and Staff, and on considering the undertaking of TD dated August 23, 2019 attached as Schedule "A" to this Order*;*

IT IS ORDERED THAT:

1. the Settlement Agreement is approved;

2. TD will conduct an internal audit of Toronto Dominion Securities' (**TDS**) compliance with FX Global Code, and the practices and procedures relating thereto, including in relation to the disclosure of confidential customer information in its global FX business, and institute any necessary changes in accordance with the process set out in Schedule "B" to the Order, pursuant to paragraph 4 of subsection 127(1) of the *Securities Act*, RSO 1990, c S.5 (the **Act**);

3. the funds received pursuant to the voluntary payment of $9,300,900 are designated for allocation or use by the Commission in accordance with paragraphs (b)(i) or (ii) of subsection 3.4(2) of the Act; and

4. TD shall pay costs in the amount of $800,000, pursuant to section 127.1 of the Act.

"D. Grant Vingoe"
D. Grant Vingoe

"Lawrence P. Haber"
Lawrence P. Haber

"Heather Zordel"
Heather Zordel

Schedule "A"

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

- and -

IN THE MATTER OF
THE TORONTO-DOMINION BANK

UNDERTAKING TO THE ONTARIO SECURITIES COMMISSION

1. This Undertaking is given in connection with the settlement agreement dated **[date]** (the "Settlement Agreement") between The Toronto-Dominion Bank (the "Respondent") and Staff ("Staff") of the Commission. All terms shall have the same meanings in this Undertaking as in the Settlement Agreement.

2. The Respondent undertakes to the Commission to:

   make a voluntary payment to be designated for allocation or use by the Commission in accordance with paragraphs (b)(i) or (ii) of subsection 3.4(2) of the Act, in the amount of $9,300,900 by wire transfer to the Commission before the order approving the Settlement Agreement is made, which payment is conditional upon approval of the Settlement Agreement by the Commission.

DATED at **Toronto**, **Ontario** this **23rd** day of **August, 2019**.

"*C. Daniel Wolski*"

Witness: C. Daniel Wolski

THE TORONTO-DOMINION BANK

By: "*Bob Dorrance*"

Name: Bob Dorrance
Title: Group Head, Wholesale Banking, TD Bank Group

Schedule "B" – REVIEW OF PRACTICES AND PROCEDURES

1. The Toronto-Dominion Bank ("TD") Internal Audit Group will conduct an internal audit of the compliance of TDS with the FX Global Code, and the practices and procedures relating thereto, including in relation to the disclosure of confidential customer information in TDS' global FX business (the "FX Business Compliance System") covering the period from February 1, 2020 to July 31, 2020 to ensure that:

   (a) the activities of TDS' FX Business are aligned with the FX Global Code;

   (b) in relation to its FX business, TDS' culture, governance arrangements, policies, procedures, systems and controls are of a sufficiently high standard to effectively manage the following risks ('the Specified Risks'):

      1. Attempts to manipulate (or control) fixes (including 'building');

      2. Application of 'hard mark-ups' to clients;

      3. Coordinated trading (e.g. instructions when to/not to trade);

      4. Performing 'partial fills' of client orders;

      5. Use of layering and/or wash trades;

      6. Triggering of client stop loss orders;

      7. Inappropriately trading ahead of client orders (e.g. front running);

      8. Inappropriately sharing or receiving confidential information with traders at other firms (including (i) the use of codes to identify clients, and (ii) the sharing of spreads);

      9. Inappropriately assigning 'transaction window' rates to client orders (e.g. assigning the client the worst rate available);

      10. Inappropriate use of personal trading accounts (including spread betting); and

      11. Other types of unacceptable behaviour, trader misconduct, breaches of client confidentiality and failure to manage conflicts of interest.

      (i) The internal audit will include, but not be limited to:

         1. front office culture;

         2. the adequacy of the first line of defence (i.e. the risk and control environment relating to day to day operations, including monitoring of traders' activity and conduct);

         3. the adequacy of compliance and risk in the first and second lines of defence;

         4. the adequacy of the challenge of risk management by the second line of defence;

         5. the role and appropriateness of financial incentives and performance management;

         6. the adequacy of training for the specific relevant business area;

         7. the adequacy of communications monitoring and surveillance;

         8. the adequacy of the management of conflicts of interest; and

         9. benchmarks, whether trading, judgement or submissions based, which fall within any of these business areas.

   (c) the FX Business' Trade Business Management and Compliance Systems are designed to prevent and identify any non-compliance at an early stage, to allow for correction of the conduct in a timely manner, and to escalate breaches for appropriate action; and

   (d) all applicable TD staff are trained on TD's policies regarding the disclosure of confidential information including the specifics of permitted and non-permitted communications with third parties.

2. TD shall deliver the internal audit report (the "Report") to a Manager in the Derivatives branch of the Commission (the "OSC Manager") by December 1, 2020;

3. Within 3 months of the delivery of the Report to the OSC Manager, TD shall deliver a plan for implementation of any recommendations in the Report, including timeline for implementation. Once the recommendations have been fully implemented, the Chief Compliance Officer of TD (the "CCO") shall provide written confirmation to the OSC Manager that there has been full implementation of the recommendations in the Report (the "Confirmation Letter");

4. Within 12 months of the provision of the Confirmation Letter to the OSC Manager, the CCO shall provide a letter (the "Attestation Letter") to the OSC Manager, stating that the recommendations of internal audit in the Report are being appropriately followed, administered and enforced by TD.

5. TD shall immediately submit to Staff a direction giving consent for unrestricted access and permission for Staff and the TD internal audit team to communicate with one another regarding the internal audit and TD's progress with respect to the implementation of the recommendations in the Report.

IN THE MATTER OF
THE TORONTO-DOMINION BANK

SETTLEMENT AGREEMENT

PART I – INTRODUCTION

1. The foreign exchange ("FX") markets are among the largest and most liquid markets in the world.[1] Their integrity is of central importance to the broader capital markets, including the Ontario capital markets. Over a period of at least three years, from 2011 to 2013 (the "Material Time"), The Toronto-Dominion Bank ("TD") failed to have sufficient supervision and controls in its FX trading business. Additionally, despite actions taken by TD in November 2013 to impose a ban on multi-dealer chatrooms, as described below certain compliance monitoring issues continued into 2015. TD did not sufficiently promote a culture of compliance in the FX trading business, which allowed FX traders to behave in a manner which put TD's economic interests ahead of the interests of its customers, other market participants and the integrity of the capital markets. Failures of this nature put customers at risk of harm and undermine market integrity. TD's failures in this regard were contrary to the public interest.

2. TD's failure to have sufficient supervision and controls in its FX trading business allowed the inappropriate sharing of confidential customer information by TD FX traders with FX traders at other competitor firms on a regular basis. Staff ("Staff") of the Ontario Securities Commission (the "Commission") have identified many hundreds of prohibited disclosures throughout 2011-2013.[2] The disclosures included detailed information about the customer orders such as trade sizes, timing, price, or stop-loss levels. In addition, TD FX traders received confidential customer information of competitor firms on a regular basis which allowed them to gain a potential advantage in the market and over traders at other firms who did not have access to this information.[3]

3. TD appeared to rely primarily on its front office[4] FX trading supervisors and their delegates, who were responsible for the first line of defence, to identify, assess and manage risks concerning the disclosure of confidential customer information. The front office failed to adequately discharge these responsibilities with regard to obvious risks associated with confidentiality and conflicts of interest. These failings occurred in circumstances where some of those responsible for managing front office matters were aware of and/or at times involved in the inappropriate disclosures described herein.

4. Staff expect firms trading in FX to identify, assess and manage appropriately the risks of non-compliance with the *Securities Act*[5] (the "Act") and risks to the integrity of capital markets. Staff also expect firms to promote a culture of compliance where their personnel adhere to high ethical standards and ensure their behaviour does not put customers and the integrity of the capital markets at risk. Firms must be vigilant about detecting, thwarting and addressing potential market abuse activities, including behaviours where market participants use their position to gain an inappropriate advantage over other market participants.

(1) The Scope of FX Markets

5. The FX markets, in which participants can buy, sell, exchange and speculate on currencies, are among the largest financial markets in the world. Participants in the FX markets include banks, commercial companies, central banks, investment management firms and investment funds.

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1 The daily average volume turnover of the global FX market was over USD 5 trillion in April 2013 according to the Bank for International Settlements (BIS) Triennial Central Bank Survey 2013.

2 Staff is not suggesting that in every prohibited disclosure, confidential customer information was disclosed. For example, the prohibited disclosure could have come from other institutions. However, in many other instances confidential customer information was shared with other participants in the chatroom.

3 Although Staff is not alleging specific violations as described below, or suggesting that there is evidence of such misconduct, it is helpful to describe generally the types of misconduct that gives rise to market integrity issues. For the purpose of providing guidance to market participants, types of misconduct could include:

> Front Running – a prohibited practice where a broker enters into an equity trade with foreknowledge of a block transaction which will influence the price of the equity, resulting in an economic gain for the broker.
>
> Trading Ahead – a market maker trading securities from his firm's own account instead of matching available bid and ask orders from market investors.
>
> Proprietary Position – when a firm or bank invests for its own direct gain instead of trading on behalf of its clients.
>
> Triggering Stops – attempts to trigger client stop loss orders involving inappropriate disclosure to traders at other firms concerning details of the size, direction and level of client stop loss orders. Traders would potentially profit from this activity because if successful, they would have sold the particular currency to its client pursuant to the stop loss order at a higher rate than it had bought that currency in the market.

4 Front Office means TD's FX Trading Desk.

5 RSO 1990, c S.5, as amended.

6. The institutional FX markets encompass a wide variety of transactions including transactions involving:

   a) the exchange of currencies between two parties at an agreed rate for settlement within two business days from the trade date;

   b) the exchange of currencies between two parties at an agreed rate for settlement on a future date (usually more than two business days from the trade date); and

   c) the option for one party to exchange currencies with another party at a fixed rate by or on a certain future date.

(2) Commission Jurisdiction in the FX Markets and Importance of Ethical Conduct

7. The Commission has jurisdiction over conduct in the FX markets for the purposes of s.127 of the Act. The markets for these transactions are interconnected as spot transactions are part of the basis upon which the value of FX forwards, swaps and options are determined. Benchmarks set in the spot FX market are used throughout the world to establish the relative values of different currencies and are of crucial importance in worldwide capital markets including over-the-counter derivative and commodity futures markets and establishing benchmarks for valuing assets and liabilities, such as those of investment funds.

8. Given the importance of the FX markets and their impact on the broader capital markets, it is vital to fostering confidence in the capital markets that market participants like TD ensure honest and responsible conduct by its employees in the FX trading business. Implementing sufficient systems of control and supervision in the FX trading business are critical to monitoring trader conduct.

9. The Commission expects market participants to identify, assess and manage appropriately the risks that their lines of business pose, to ensure investor protection and market integrity. TD understands that it is required to comply with this expectation in relation to the conduct of its employees in its FX trading business.

10. Although cooperation with Commission investigations is expected, Staff would like to recognize the exemplary cooperation it received from TD in this matter.

11. The parties will jointly file a request that the Commission issue a Notice of Hearing (the "Notice of Hearing") to announce that it will hold a hearing (the "Settlement Hearing") to consider whether, pursuant to sections 127 and 127.1 of the Act, it is in the public interest for the Commission to make certain orders against TD (the "Respondent").

PART II – JOINT SETTLEMENT RECOMMENDATION

12. Staff recommend settlement of the proceeding (the "Proceeding") against the Respondent commenced by the Notice of Hearing, in accordance with the terms and conditions set out in Part V of this settlement agreement (the "Settlement Agreement"). The Respondent consents to the making of an order (the "Order") substantially in the form attached as Schedule "A" to the Settlement Agreement based on the facts set out herein.

13. For the purposes of the Proceeding, and any other regulatory proceeding commenced by a Canadian securities regulatory authority, the Respondent agrees with the facts set out in Part III of the Settlement Agreement and the conclusion in paragraphs 72-73 of the Settlement Agreement.

PART III – AGREED FACTS

A. Background

(1) The Respondent

14. TD is a Schedule 1 Bank under the *Bank Act* (Canada).[6] During the Material Time, and at present, TD Securities ("TDS"), an unincorporated division of TD, engaged in the purchase and sale of foreign currencies with customers and for itself ("FX Trading"), as defined below.

15. In the Material Time, TD's foreign exchange business was based primarily in Toronto. For some of the Material Time, TD also had trading or sales desks in London, Singapore and New York. In the Material Time, TD took positions in spot transactions, forwards, swaps and over-the-counter-options.

16. The foreign exchange business at TDS was focused entirely on institutional and corporate customers.

[6] SC 1991, c. 46.

(2) "Market colour" information

17. During the Material Time, TD primarily participated in the above FX transactions with customers and for TD's own account ("proprietary trading"). Making profitable trades could be dependent on correctly assessing the direction of the market for various currency pairs.

18. The FX markets are primarily over-the-counter markets. Accordingly, a bank's profitability and ability to manage business risk in its FX Trading business was dependent on the quality of information its traders possessed. Individual traders sought to understand macroeconomic factors affecting currency rates. There was also an advantage to knowing "market flow" including which institutions were buying or selling which currencies in significant amounts and details of those trades.

19. Exchanging "market colour" including economic analysis relating to the movement of currencies was acceptable. However, during the Material Time, traders inappropriately sought and disclosed specific transaction details, to gain an advantage in the market, which led to the chatroom misconduct described below.

20. The frequent flow of information between traders of different firms using various communication platforms increases the risk of traders sharing confidential information. It is therefore particularly important that financial institutions exercise sufficient control and monitoring of such communications.

B. Chatroom Misconduct

(1) TD FX traders participated in electronic chatrooms with traders from other firms

21. It was common practice during most of the Material Time for FX traders at firms to use electronic messaging services, such as chatrooms on Bloomberg, to communicate with FX traders at other firms. While the use of such communication tools is not in itself inappropriate, the frequent and significant flow of information between traders at different firms increased the potential risk of traders engaging in improper activity, including, amongst other things, the sharing of confidential customer information.

22. TD FX traders were involved in several large chatrooms involving FX traders from other international banks ("Multi-Dealer Chatrooms") in addition to bi-lateral chats. One of these bi-lateral chats involved a Managing Director in TD's FX Trading business, TD Managing Director A. Staff have identified many hundreds of prohibited disclosures throughout 2011-2013.

23. Participation in chatrooms with traders from other firms had a profit motive. For example, in a Multi-Dealer Chatroom with FX traders from other firms, a TD FX trader based in London, TD Trader A, wrote "*profit is profit*" and "*no-one ever got fired for making cash*". TD Trader A also wrote in a chat to an FX trader at another large Canadian bank: "*u should be over 2 bucks up on my ideas and info this year*".

(2) TD's policies prohibited the disclosure of confidential information

24. The disclosure of confidential customer information to other traders and third parties was contrary to TD's policies and accepted industry standards.

25. TD had a number of policies and procedures in place during the Material Time that applied to FX Trading.

26. First, the Bank's Code of Conduct and Ethics for Employees and Directors outlined the following principles, amongst others:

    a) "As a responsible business enterprise and corporate citizen, [TD] is committed to conducting its affairs to the highest standards of ethics, integrity, honesty, fairness and professionalism – in every respect, without exception, and at all times."

    b) "We must avoid acting in manner that places our personal interests ahead of the best interests of TD, our customers, and/or our shareholders … [and] must also avoid situations that might create the appearance of a conflict of interest, whether or not it actually exists and whether or not we believe we would be improperly influenced."

    c) "Customer information must be kept private and confidential. We must not discuss or disclose any customer information to anyone outside TD unless we are required to disclose by law, are authorized to disclose by the customer or are directed to disclose in circumstances described in policies and procedures applicable to our business segment or region."

27. In addition, TD's 2011 and 2012 Rates & FX Compliance Manual Canada stated the following specifically in the context of FX Trading:

    a) Code of Conduct and Ethics: "While reaching our business goals is critical to our success, equally important is the way we achieve them … The Code establishes the standards that govern the way we deal with each other, our shareholders, customers, suppliers and competitors…"

    b) Confidentiality: "Every TD Securities employee has a duty to preserve and protect the confidential information of TD Securities and [TD Bank Financial Group]. Perhaps even more important, employees must also protect the confidentiality of our customers and suppliers." And, as it pertains specifically to trading activities, the Code of Conduct and Ethics provided, "All transactions, whether they are for TD Securities, a customer or a competitor and whether concluded or not, must remain confidential. Details of transactions or prospective transactions must not be revealed to third parties under any circumstances and any breaches of confidentiality must be reported to senior management immediately"

(3) Chatroom misconduct in violation of TD's policies

28. During the Material Time, certain TD FX traders regularly provided confidential information to, and received confidential information from, the traders of other financial institutions, including in respect of the existence of customer stop loss orders. This sharing of confidential information occurred in Multi-Dealer Chatrooms and in bi-lateral chats.

29. All TD traders understood that the sharing of specific customer names was unequivocally prohibited. While traders were encouraged to seek and use "market flow" and "market colour" in the course of their trading, there was no clear indication as to what, aside from customer names, was impermissible and what was permitted. Consequently, confidential information including specific transaction details was disclosed by TD traders to individuals at other institutions. The disclosure of such information in some instances was a breach of confidentiality and created the potential risk that this information could be used for the trader's benefit and to the customer's detriment.

30. TD Managing Director A communicated in a chatroom with one individual from another financial institution, who was also a former colleague. These individuals shared information in a manner which was, at times, inconsistent with market integrity. For example, TD Managing Director A disclosed the following information:

> "fyi..we have stop at 97...from a guy that alwyas has stop behind some large offers...we have stops above figure and big one at 35-40 area"

31. Given TD Managing Director A's longstanding personal relationship with the other individual, he believed that the individual would not use the information being provided to the detriment of TD or its customers (and there is no evidence of such conduct). In some instances, TD Managing Director A was sharing confidential information with his former colleague in order to determine whether customer positions could be appropriately filled or netted outside of the market. However, the disclosure of this information by TD Managing Director A was a breach of TD's policies and a breach of confidentiality.

32. The following is a TD trader disclosing information about a customer stop loss order to traders at other firms in a Multi-Dealer Chatroom:

> TD Trader A: I have decent stop below 20 eur fyi
>
> Bank A Trader: ta
>
> Bank B Trader: a weak one or one that been there a while
>
> TD Trader A: very fresh
>
> Bank B Trader: just sitting there ready to be popped
>
> …
>
> Bank B Trader: ill let my 24 bid ride a few pips then[7]

33. The sharing of confidential information was a two-way street. For example, on January 10, 2013, a trader from another firm inappropriately disclosed information about a "huge" option that was expiring the next day to TD Trader A:

[7] In the chat directly above, TD Trader A has disclosed confidential information about a stop and Bank B Trader appears to be using this information to inform his market strategy to make a profit. This behaviour could undermine market integrity because Bank B Trader appears to be using confidential information to gain an advantage over the rest of the market.

Bank A Trader: between u s

Bank A Trader: there is huge 13240 tom exp

TD Salesperson A: ok

TD Trader A: ta

34. TD Managing Director A confirmed during this investigation that information about specific barriers should not be disclosed and that it was something that he would refer to compliance.[8]

35. Despite confirming that information about specific barriers should not be disclosed, on February 29, 2012, TD Managing Director A disclosed information about a barrier option he had a "piece of" to another FX trader in a bi-lateral chat:

Bank A Trader: hearing from barx, very large barrier in usdcad at .9850. they dont have it. they are hearing it

TD Managing Director A: we have a piece of it . . . . 6 days til expiry

TD Managing Director A: on the one we have

36. On April 30, 2012, TD Managing Director A disclosed and received confidential customer information with an FX trader at another firm:

TD Managing Director A: lot of small but dodgy sellers popping in up here above 60 with tight stops

TD Managing Director A: i.e. wacking 60-64 with stops at 70...

Bank A Trader: thks i have very little here

TD Managing Director A: more of same coming..in..we literally have about 5 diff guys that tend to be well informed with stops above 70 and just got short here...they not generally right in long term...but would guess someone has a lot to go between 65 and 70

Bank A Trader: cool...i have stops 40 dow to 30 program type guys who would be long post number

Bank A Trader: would like to buy it down thee

37. This illustrates that once information is shared, the risk created is impossible to control as it can be further disclosed to a potentially unlimited chain of recipients.

(4) Sharing of information with other banks was permitted by TD FX Supervisors

38. The tone from the top of TD's FX Trading business permitted traders to provide confidential information to traders at other firms and receive confidential information in return.

39. The use of Bloomberg chats was accepted by supervisors. For example, on April 16, 2013, as other banks were banning Multi-Dealer Chatrooms, TD Trader A told others in a chat that TD Managing Director B would never prohibit Bloomberg chats:

TD Trader A: we will never have to close ours

TD Trader A: tyhe big man here has said he'll never ever stop it

Bank A Trader: I am going down the semantics route for an exception

TD Trader A: thinks its ridiculous

40. TD Trader A and others confirmed that "big man" was a reference to TD Managing Director B.

[8] A barrier option is a type of derivative where the payoff depends on whether or not the underlying asset has reached or exceeded a predetermined price. In other words, a barrier option's payoff is based on the underlying asset's price path. The option becomes worthless or may be activated upon crossing of a price point barrier.

(5) Disclosures of Confidential Customer Information Posed Risks

41. TD's disclosures of confidential customer information put the customers at risk of economic loss. The behaviour also undermined market integrity.

C. TD did not have a sufficient system of controls and supervision in place in relation to its FX Trading business during the Material Time

42. During the Material Time, TD did not have a sufficient system of controls and supervision over its global FX Trading business concerning the disclosure of confidential customer information.

43. TD operated a "three lines of defence" model to manage risk of FX Trading during the Material Time. TD's front office (the first line of defence) had primary responsibility for identification of conduct risks, which they were expected to report to compliance officers for escalation via relevant business control committees. In addition, the front office and Compliance functions participated in risk assessments, which could also result in escalation of issues for further review by Compliance or Risk (the second line of defence) or Internal Audit (the third line of defence).

44. During the Material Time, there were deficiencies in the first and second lines of defence as outlined below.

(1) TD did not recognize the regulatory risks of its FX Trading business

45. Between 2011 and 2012, TD did not appear to recognize the risk that the manner in which its FX Trading business was conducted might result in TD not complying with securities legislation. For example, certain of its policies and procedures indicated that it was not subject to securities legislation.

(2) TD did not provide sufficient guidance to its FX traders about the prohibition on sharing of confidential information

46. TD's policies and procedures during the Material Time did not provide sufficient guidance to FX traders. While, as noted above, the policies prohibited disclosing confidential customer information, they were high-level in nature and applied to TD or the capital markets business as a whole. The policies did not specifically address the use of chatrooms or the practical issues FX traders faced daily. For instance, the policies did not provide sufficient guidance on the differences between sharing confidential information, which was prohibited, and sharing acceptable "market colour".

(3) TD's FX front office did not sufficiently identify, assess and manage risks concerning the disclosure of confidential customer information

47. During the Material Time, TD appeared to rely primarily on its front office FX Trading supervisors and their delegates, who were responsible for the first line of defence, to identify, assess and manage risks concerning the disclosure of confidential customer information.

48. The front office did not effectively do so. FX traders were not provided with sufficient guidance on what was or was not acceptable in chatrooms. The front office did not effectively supervise chatroom discussions. In some instances, TD Managing Director A, who was supposed to be supervising conduct, participated in the disclosure of confidential customer information in chatrooms.

(4) TD's Second Line of Defence Failed to Sufficiently Address the Risk posed by the Chatrooms

49. Compliance, the second line of defence, failed to sufficiently address the risk posed by the chatrooms. For much of the Material Time, Compliance's role in monitoring the FX Trading business was primarily focused on developing FX trade surveillance and performing electronic communications surveillance—the limitations of which are discussed below.

(5) TD did not formally prohibit Multi-Dealer Chatrooms until November 2013 although it should have been aware of issues in Chatrooms as early as the middle of 2012

50. In November 2013, TD imposed a ban on Multi-Dealer Chatrooms. The ban was documented in TD's policies and procedures in 2015. From an operational perspective, the ban was insufficient. In chats, various traders discussed alternative means of communication, such as other chatrooms, WhatsApp and the telephone, although Staff have no evidence of traders participating in similar misconduct in a different forum following the chat ban.

51. From the middle of 2012, TD should have been aware of the increased risks associated with information sharing and should have modified its policies and procedures accordingly. It was at this time that regulatory issues surrounding LIBOR highlighted concerns with the risk of collusive behaviour and misuse of confidential information. Some banks began prohibiting Multi-Dealer Chatrooms around this time and these prohibitions were discussed in a chatroom involving TD FX employees in August 2012. The FX regulatory issues first received media attention in mid-2013,

supervisors were aware of this and at least one TD trader discussed potential and actual chatroom shut downs in a chatroom. However, TD did not prohibit its traders from participating in Multi-Dealer Chatrooms until November 2013 at the earliest.

(6) TD Compliance's "electronic communications" review was insufficient to identify disclosure of confidential customer information

52. As a regular monitoring, supervision or control practice, Compliance relied in part on an electronic communications "e-comms" (including email and other messaging platforms) review based on lexicon "hotword" lists and random sampling. Issues with the review included the following:

a) The lexicon terminology was deficient. Certain terms that ought to have been included were not;

b) One of the supervisors charged with conducting the review was himself involved in chats involving the disclosure of confidential information;

c) The scope and structure of the review was insufficient to reveal the disclosure of confidential information; and

d) Compliance's participation was insufficient and did not add value, as all it did was monitor an insufficient review process.

53. A market participant that identifies a problem in respect of its systems of internal control or any other inappropriate activity that has affected (or may affect) investors or compromises the integrity of Ontario's capital markets, should promptly and fully self-report. TD failed to establish a sufficient compliance system to monitor its FX Trading business. As such, the lack of sufficient controls meant that misconduct went undetected, and TD was unable to remediate, self-report and escalate concerns.

(7) TD provided insufficient training and guidance on how TD's general policies on confidentiality should be applied to the FX Trading business

54. There was insufficient training and guidance during the Material Time on how TD's general policies on confidentiality should be applied specifically to the FX Trading business.

55. For example, TD FX employees told Staff that they could not recollect receiving any training on information sharing. Training presentations, even from 2013, did not reference chatrooms. TD FX employees examined by Staff did not have a clear understanding of TD's policies and procedures on information sharing.

56. The insufficient training and guidance about the application of general policies to the FX Trading business increased the risk that confidential customer information could be disclosed.

57. It was only beginning in the fall of 2013, that TD established an FX-specific policy entitled *TD Securities Global Rates FX Sales and Trading Policy – Canada*, which addressed the following matters, among others:

a) Conflicts of Interest: "All Employees are expected to avoid conflicts of interest in their dealings with clients, counterparties and the public. Such conflicts can arise in many different circumstances but one of the underlying principles is that a fair, efficient and liquid debt market relies in part on open and unbiased dealings by the Employees, and fulfillment by their duties to clients before their own interests."

b) Client Confidentiality and Proprietary Information: "Employees should not pass on confidential and non-public information beyond their trade desk. Such information includes discussions with unrelated parties concerning their trades, their trading positions, or the firm's position. It is also inappropriate to disclose, or to request others to disclose information relating to a counterparty's involvement in a transaction except to the extent required by law."

c) Client Priority: "Employees should not enter into any transaction which may conflict with a duty of care owed to a client, unless such conflict is disclosed to the client and the client consents to the transaction. In particular, where Employees are handling client orders, these orders should be handled appropriately and with due regard to the best interests of the client."

58. TD continued to review and update its compliance program as it pertained to FX Trading as outlined further below.

(8) TD's "FX Dealer Probe" was inadequate

59. Between 2013 and 2014, TD engaged in an internal review known as the "FX dealer probe" or "lookback" (the "FX Dealer Probe"). The FX Dealer Probe involved collecting and reviewing chats. The FX Dealer Probe was undertaken as a result of international media reports beginning in mid-2013 regarding investigations of global misconduct in the FX

markets. None of these reported investigations involved TD or a TD FX trader. There were several issues with the review:

a) The FX Dealer Probe was insufficient in scope, focusing only on manipulation of the WM/Reuters rate and improper personal trading. TD focused only on these issues because they were the principal allegations of investigations by other regulators at the time. The FX Remediation Programme later conducted by the FCA (the "FCA's FX Remediation Programme") also included risks that included engaging in coordinated trading to gain an unfair advantage, deliberately triggering customer stop loss orders, and sharing confidential information with customers and traders at other firms. There is no indication that TD looked at any of these types of misconduct.

b) Documentation to support the scope of the FX Dealer Probe was not retained. As a result, it is unclear which chats were reviewed, who reviewed them, when they did so and what issues they considered. The review may not have been appropriately focused to detect chatroom misconduct.

c) The reviewers did not appear to receive specific instructions and at least one had no FX training. TDS' Chief Compliance Officer also advised that they would "have had a dialogue about what to focus on," but that they "wouldn't have written it down as a procedure." TD Managing Director A, who was one of the reviewers, may have conducted his review based on whether the information was "tradeable", as opposed to whether it was confidential customer information being shared in breach of TD's policies and procedures.

d) The conclusion of the FX Dealer Probe was that it did not reveal any area of "meaningful concern" and that TD's currency trading activities "are still considered to be within standard market practice in Canada and globally". The standard was inappropriate, because it was not based on considerations such as whether TD was in compliance with its own internal policies, whether market integrity was appropriately safeguarded or whether TD was in compliance with securities legislation.

60. Through the course of the OSC investigation, it was revealed that individual traders were sharing confidential information with traders from other financial institutions, as outlined above.

D. OTHER FACTORS

61. Staff have considered the above and certain other factors in arriving at the voluntary payment amount. The methodology is set out in Schedule "C" to the Settlement Agreement entitled Calculation of Voluntary Payment. It includes the nature and seriousness of the conduct.

62. There is no evidence or indication that TD was involved in any plan or collusion to attempt to manipulate the WM/Reuters benchmark or any other benchmark rate.

(1) Continuing Compliance Remediation

63. TD participated in various efforts with other regulators and financial market organizations to improve oversight of the FX market.

64. For example, TD participated in the FCA's FX Remediation Programme with respect to its FX Trading business beginning in late 2014 and concluding in late 2015. Although the focus of the FCA's FX Remediation Programme was on TD's London spot FX Trading business, a number of new procedures were added across its FX Trading business based on this review.

65. In 2014, TD also participated in the process which led to the establishment of the FX Global Code[9] in May 2017 as a global set of best practices for financial institutions. TD took guidance from this process and on November 1, 2017, TD introduced its Global Foreign Exchange Compliance Policy (the "Global FX Policy").

66. In May 2018, TDS signed its FX Global Code Statement of Commitment, in which it confirmed that the Code represents a statement of principles generally recognized as good practice and that TDS had taken appropriate steps to align its activities with the Code. Employees were provided with training with respect to the requirements of the Code and of the Global FX Policy. The training is ongoing and ensures that all in scope front office employees are subject to a periodic refresh on the Code principles and application. New employees are required to complete the training program in order to ensure they are aware of the Code and their accountabilities.

67. This training covers all leading principles of the Code, with specific focus on the principles having the greatest impact on front office, including Governance, Ethics, Execution, and Information Sharing. On Information Sharing, the training

[9] The FX Global Code is a set of global principles of good practice in the FX markets that has been developed to provide a common set of guidelines to promote the integrity and effective functioning of the FX markets.

defines confidential information, and includes examples of both good practice and prohibited misconduct as it relates to confidential information and market colour.

68. In 2018, TD also engaged a third-party consultant to review TD's Market Abuse Monitoring Controls. The consultant's final report was submitted to the FCA in June 2018. TD then established a project to address the recommendations made by the consultant with a focus on improving governance and upgrading surveillance capabilities globally within TDS, across all business lines, including FX. As a result of this project, TD's global surveillance system (SMARTS together with in house models) captures all asset classes globally, including foreign exchange.

69. In 2018, TD conducted an assessment of its existing control environment as against the requirements of the FX Global Code. As part of its remediation plan for identified opportunities for improvement, TD committed to continued reassessment and remediation.

(2) Cooperation

70. TD has provided exemplary cooperation to Staff in its investigation and with respect to the completion of the Settlement Agreement.

71. In the course of the investigation, TD worked collaboratively with Staff in a timely manner to address challenges related to production of very large data requests. In addition, TD's responses to Staff's requests for assistance was exemplary, including the production of e-comms and trading records in extremely short periods of time. E-comms were obtained by TD from a third-party service provider at significant expense to TD in order to provide the information in a format that was more easily consumable by Staff. TD also worked with Staff to develop a comprehensive protocol for reviewing material for privilege in an efficient and coordinated manner. Similarly, TD was proactive and collaborative throughout the resolution of this matter.

PART IV – CONDUCT CONTRARY TO THE PUBLIC INTEREST

72. TD acknowledges and admits that, during the Material Time, it engaged in conduct contrary to the public interest by:

    (a) sharing confidential customer information with FX traders at other firms in electronic chatrooms; and

    (b) failing to establish and maintain an adequate compliance system that addressed inappropriate information sharing and thus provided reasonable assurance that TD:

        (i) complied with securities legislation, and in particular the market manipulation and fraud prohibitions in the Act; and

        (ii) did not undermine confidence in the integrity of the FX markets.

73. As a result, TD failed to meet the high standards of conduct expected of a market participant, which potentially put its customers at risk.

PART V – TERMS OF SETTLEMENT

74. The Respondent agrees to the terms of settlement set forth below.

75. The Respondent consents to the Order substantially in the form attached as Schedule "A", pursuant to which it is ordered that:

    a) the Settlement Agreement be approved;

    b) TD's Internal Audit Group will conduct an internal audit of its compliance with the FX Global Code, and the practices and procedures relating thereto, including in relation to the disclosure of confidential customer information in its global FX business, and institute any necessary changes in accordance with the process set forth in Schedule "B" to the Order, pursuant to paragraph 4 of subsection 127(1) of the Act;

    c) the voluntary payment of $9,300,900 by the Respondent is designated for allocation or use by the Commission in accordance with paragraph 3.4(2)(b)(i) or (ii) of the Act; and

    d) the Respondent pay costs in the amount of $800,000, by wire transfer to the Commission before the commencement of the Settlement hearing pursuant to section 127.1 of the Act.

76. The Respondent has given an undertaking (the "Undertaking") to the Commission in the form attached as Schedule "A" to this Order to:

make a voluntary payment to be designated for allocation or use by the Commission in accordance with paragraphs (b)(i) or (ii) of subsection 3.4(2) of the Act, in the amount of $9,300,900, by wire transfer to the Commission before the order approving the Settlement Agreement is made, which payment is conditional upon approval of the Settlement Agreement by the Commission;

77. The Respondent acknowledges that the Settlement Agreement and the Order (except for the payment described in paragraph 75(c)) may form the basis for orders of parallel effect in other jurisdictions in Canada. The securities laws of some other Canadian jurisdictions allow orders made in this matter to take effect in those other jurisdictions automatically, without further notice to the Respondent.

PART VI – FURTHER PROCEEDINGS

78. If the Commission approves the Settlement Agreement, Staff will not commence or continue any proceeding against the Respondent under Ontario securities law based on the misconduct described in Part III of the Settlement Agreement, unless the Respondent fails to comply with any term in the Settlement Agreement or the Undertaking, in which case Staff may bring proceedings under Ontario securities law against the Respondent that may be based on, among other things, the facts set out in Part III of the Settlement Agreement as well as the breach of the Settlement Agreement or the Undertaking.

79. The Respondent acknowledges that, if the Commission approves the Settlement Agreement and the Respondent fails to comply with any term in it or the Undertaking, Staff or the Commission are entitled to bring any proceedings necessary to, among other things, recover the amounts set out in sub-paragraphs 75.c) and 75(d), above.

80. The Respondent waives any defences to a proceeding referenced in paragraphs 78-79 that are based on the limitation period in the Act, provided that no such proceeding shall be commenced later than six years from the date of the occurrence of the last failure to comply with the Settlement Agreement or the Undertaking.

PART VII – PROCEDURE FOR APPROVAL OF SETTLEMENT

81. The parties will seek approval of the Settlement Agreement at the Settlement Hearing before the Commission, which shall be held on a date determined by the Secretary to the Commission in accordance with the Settlement Agreement and the Commission's *Rules of Procedure*, dated July 23, 2019.

82. The Respondent may have a representative attend the Settlement Hearing in person or have counsel attend the Settlement Hearing on its behalf.

83. The parties confirm that the Settlement Agreement sets forth all of the agreed facts that will be submitted at the Settlement Hearing, unless the parties agree that additional facts should be submitted at the Settlement Hearing.

84. If the Commission approves the Settlement Agreement:

a) the Respondent irrevocably waives all rights to a full hearing, judicial review or appeal of this matter under the Act; and

b) neither party will make any public statement that is inconsistent with the Settlement Agreement or with any additional agreed facts submitted at the Settlement Hearing.

85. Whether or not the Commission approves the Settlement Agreement, the Respondent will not use, in any proceeding, the Settlement Agreement or the negotiation or process of approval of the Settlement Agreement as the basis for any attack on the Commission's jurisdiction, alleged bias, alleged unfairness or any other remedies or challenges that may be available.

PART VIII – DISCLOSURE OF SETTLEMENT AGREEMENT

86. If the Commission does not make the Order:

a) the Settlement Agreement and all discussions and negotiations between Staff and the Respondent before the Settlement Hearing will be without prejudice to Staff and the Respondent; and

b) Staff and the Respondent will each be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing on the merits of the allegations contained in the Statement of Allegations in respect of the Proceeding. Any such proceedings, remedies and challenges will not be affected by the Settlement Agreement, or by any discussions or negotiations relating to the Settlement Agreement.

87. The parties will keep the terms of the Settlement Agreement confidential until the Settlement Hearing, unless they agree in writing not to do so or unless otherwise required by law.

PART IX – EXECUTION OF SETTLEMENT AGREEMENT

88. The Settlement Agreement may be signed in one or more counterparts which together constitute a binding agreement.

89. A facsimile copy or other electronic copy of any signature will be as effective as an original signature.

DATED at **Toronto**, **Ontario** this **23rd** day of **August, 2019**.

"*C. Daniel Wolski*"

Witness: C. Daniel Wolski

THE TORONTO-DOMINION BANK

By: "*Bob Dorrance*"

Name: Bob Dorrance
Title: Group Head, Wholesale Banking, TD Bank Group

DATED at Toronto, Ontario, this **23rd** day of **August, 2019**.

ONTARIO SECURITIES COMMISSION

By: "*Jeff Kehoe*"

Name: Jeff Kehoe
Title: Director, Enforcement Branch

SCHEDULE "A"

FORM OF ORDER

IN THE MATTER OF

[Company and/or Individual Name(s)]

File No. [#]

(Names of panelists comprising the panel)

(Day and date order made)

ORDER

(Sections 127 and 127.1)

WHEREAS:

1. on **[date]**, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing (the "Notice of Hearing") in relation to the Statement of Allegations filed by Staff of the Commission ("Staff") on **[date]** with respect to The Toronto-Dominion Bank ("TD" or the "Respondent");

2. the Notice of Hearing gave notice that on **[date]**, the Commission would hold a hearing to consider whether it is in the public interest to approve a settlement agreement between the Respondent and Staff dated **[date]** (the "Settlement Agreement");

3. pursuant to the Settlement Agreement, the Respondent has given an undertaking (the "Undertaking") to the Commission, in the form attached as Schedule "A" to this Order, which includes an undertaking to make a voluntary payment to be designated for allocation or use by the Commission in accordance with paragraphs (b)(i) or (ii) of subsection 3.4(2) of the Act, in the amount of $9,300,900, by wire transfer to the Commission before the order approving the Settlement Agreement is made, which payment is conditional upon approval of the Settlement Agreement by the Commission.

4. the Respondent acknowledges that the Settlement Agreement and this Order may form the basis for orders of parallel effect in other jurisdictions in Canada;

5. the Commission has reviewed the Settlement Agreement, the Undertaking**,** the Notice of Hearing and the Statement of Allegations and heard submissions from counsel for the Respondent and Staff; and

6. the Commission is of the opinion that it is in the public interest to make this Order.

ON READING [give particulars of the material filed] and on hearing the submissions of the representative(s) for [name parties], [add as applicable: (name parties) appearing in person; no one appearing for (name parties), although properly served as appears from (indicate proof of service)], [and considering (indicate any consents or undertakings if provided)];

IT IS ORDERED THAT:

(a) the Settlement Agreement be approved;

(b) TD's Internal Audit Group will conduct an internal audit of TDS' compliance with the FX Global Code, and the practices and procedures relating thereto, including in relation to the disclosure of confidential customer information in its global FX business, and institute any necessary changes in accordance with the process set forth in Schedule "B" to the Order, pursuant to paragraph 4 of subsection 127(1) of the Act;

(c) the Respondent pay costs in the amount of $800,000, pursuant to section 127.1 of the Act;

_____
[Commissioner]

_____ _____
[Commissioner] [Commissioner]

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

- and -

IN THE MATTER OF
THE TORONTO-DOMINION BANK

UNDERTAKING TO THE ONTARIO SECURITIES COMMISSION

1. This Undertaking is given in connection with the settlement agreement dated **[date]** (the "Settlement Agreement") between The Toronto-Dominion Bank (the "Respondent") and Staff ("Staff") of the Commission. All terms shall have the same meanings in this Undertaking as in the Settlement Agreement.

2. The Respondent undertakes to the Commission to:

> make a voluntary payment to be designated for allocation or use by the Commission in accordance with paragraphs (b)(i) or (ii) of subsection 3.4(2) of the Act, in the amount of $9,300,900 by wire transfer to the Commission before the order approving the Settlement Agreement is made, which payment is conditional upon approval of the Settlement Agreement by the Commission.

DATED at **Toronto**, **Ontario** this **23rd** day of **August, 2019**.

"*C. Daniel Wolski*"

Witness: C. Daniel Wolski

THE TORONTO-DOMINION BANK

By: "*Bob Dorrance*"

Name: Bob Dorrance
Title: Group Head, Wholesale Banking, TD Bank Group

Schedule "B" – REVIEW OF PRACTICES AND PROCEDURES

1. The Toronto-Dominion Bank ("TD") Internal Audit Group will conduct an internal audit of the compliance of TDS with the FX Global Code, and the practices and procedures relating thereto, including in relation to the disclosure of confidential customer information in TDS' global FX business (the "FX Business Compliance System") covering the period from February 1, 2020 to July 31, 2020 to ensure that:

(a) the activities of TDS' FX Business are aligned with the FX Global Code;

(b) in relation to its FX business, TDS' culture, governance arrangements, policies, procedures, systems and controls are of a sufficiently high standard to effectively manage the following risks ('the Specified Risks'):

1. Attempts to manipulate (or control) fixes (including 'building');
2. Application of 'hard mark-ups' to clients;
3. Coordinated trading (e.g. instructions when to/not to trade);
4. Performing 'partial fills' of client orders;
5. Use of layering and/or wash trades;
6. Triggering of client stop loss orders;
7. Inappropriately trading ahead of client orders (e.g. front running);
8. Inappropriately sharing or receiving confidential information with traders at other firms (including (i) the use of codes to identify clients, and (ii) the sharing of spreads);
9. Inappropriately assigning 'transaction window' rates to client orders (e.g. assigning the client the worst rate available);
10. Inappropriate use of personal trading accounts (including spread betting); and
11. Other types of unacceptable behaviour, trader misconduct, breaches of client confidentiality and failure to manage conflicts of interest.

(i) The internal audit will include, but not be limited to:

1. front office culture;
2. the adequacy of the first line of defence (i.e. the risk and control environment relating to day to day operations, including monitoring of traders' activity and conduct);
3. the adequacy of compliance and risk in the first and second lines of defence;
4. the adequacy of the challenge of risk management by the second line of defence;
5. the role and appropriateness of financial incentives and performance management;
6. the adequacy of training for the specific relevant business area;
7. the adequacy of communications monitoring and surveillance;
8. the adequacy of the management of conflicts of interest; and
9. benchmarks, whether trading, judgement or submissions based, which fall within any of these business areas.

(c) the FX Business' Trade Business Management and Compliance Systems are designed to prevent and identify any non-compliance at an early stage, to allow for correction of the conduct in a timely manner, and to escalate breaches for appropriate action; and

(d) all applicable TD staff are trained on TD's policies regarding the disclosure of confidential information including the specifics of permitted and non-permitted communications with third parties.

2. TD shall deliver the internal audit report (the "Report") to a Manager in the Derivatives branch of the Commission (the "OSC Manager") by December 1, 2020;

3. Within 3 months of the delivery of the Report to the OSC Manager, TD shall deliver a plan for implementation of any recommendations in the Report, including timeline for implementation. Once the recommendations have been fully implemented, the Chief Compliance Officer of TD (the "CCO") shall provide written confirmation to the OSC Manager that there has been full implementation of the recommendations in the Report (the "Confirmation Letter");

4. Within 12 months of the provision of the Confirmation Letter to the OSC Manager, the CCO shall provide a letter (the "Attestation Letter") to the OSC Manager, stating that the recommendations of internal audit in the Report are being appropriately followed, administered and enforced by TD.

5. TD shall immediately submit to Staff a direction giving consent for unrestricted access and permission for Staff and the TD internal audit team to communicate with one another regarding the internal audit and TD's progress with respect to the implementation of the recommendations in the Report.

Schedule "C"

CALCULATION OF VOLUNTARY PAYMENT

1. In cases where there is no alleged violation of Ontario securities law but there is still significant conduct contrary to the public interest, Staff and respondents typically agree to a voluntary payment in order to reflect adequate specific and general deterrence.

2. Specific and general deterrence are aimed at promoting high standards of regulatory conduct by deterring participants in the markets from committing further contraventions of securities law or the public interest, helping to deter other participants in the markets from committing such contraventions and demonstrating generally the benefits of compliant behaviour.

3. Such a payment is consistent with the prospective and preventative focus of the Commission's public interest powers.

4. In this case, deterrence means that a significant financial penalty against TD is appropriate.

5. Staff have approached the calculation of the voluntary payment to account for certain principles, which are described below together with Staff's analysis.

Four-Step Methodology

6. Staff have considered a four-step methodology to the calculation, which takes into account relevant principles.

Step 1: Disgorgement

7. Given there is no allegation of a breach of Ontario securities law, Staff have not considered disgorgement. In addition, it is not practicable to quantify any financial benefit that TD may have derived directly from its failings.

Step 2: The seriousness of the conduct

8. TD's conduct was serious. The failings in TD's procedures, systems and controls in its FX Trading business occurred over a period of more than three years prior to October 2013. This gave rise to a risk that TD's traders would engage in the behaviours described in the Settlement Agreement, including inappropriate disclosures of confidential information. TD's conduct undermines confidence in Ontario's capital markets.

9. TD is one of the biggest, most sophisticated and well-resourced financial services institutions in Canada. Serious failings committed by such a firm warrant a significant voluntary payment.

10. At Step 2 Staff have considered a figure that reflects the seriousness of the conduct. Where the amount of revenue generated by a firm from a particular product line or business area is indicative of the harm or potential harm that its conduct may have caused, that figure will be based on a percentage of the firm's revenue from the relevant products or business area. Staff have therefore determined a figure based on a percentage of TD's relevant revenue. Staff consider that the relevant revenue for the period from 2011 to 2013 is $102,870,000.[1]

11. In deciding on the percentage of the relevant revenue that forms the basis of the Step 2 figure, Staff have considered the seriousness of the conduct based on a percentage between 0% and 20%. This range is divided into five fixed levels which represent, on a sliding scale, the seriousness of the breach; the more serious the breach, the higher the percentage. Staff consider 10% to be an appropriate level to reflect the seriousness of TD's conduct based on the following factors:

Impact of the conduct

(1) The conduct potentially had an adverse effect on the confidence in integrity of the FX and broader capital markets due to the importance of the FX markets.

Nature of the failure

(2) There were serious and systemic weaknesses in TD's procedures, systems and controls in its FX Trading business over a number of years;

(3) TD failed to adequately address obvious risks in that business in relation to conflicts of interest and confidentiality. These risks were clearly identified in industry codes published before and during the Material Time and as internally recognized at TD as early as October 2011.

[1] Staff have applied the relevant revenue figure from 2013, which is $34,870,000, to each year from 2011 to 2013.

(4) TD's failings allowed improper trader behaviours to occur in its FX Trading business as described in the Settlement Agreement.

(5) There was a potential detriment to customers and to other market participants arising from misconduct in the FX market;

(6) Certain of those responsible for managing front office matters at TD were aware of and/or at times involved in behaviours described in the Settlement Agreement;

12. Taking all of these factors into account, Staff have calculated Step 2 at $10,287,000.

Step 3: Adjustment for deterrence

13. In Step 3, Staff have considered whether the figure arrived at after Step 2 is insufficient to deter TD or other market participants. Staff consider that adding the amount of $1,000,000 per year of failures ($3,000,000) to be appropriate.

14. The failings described in the Settlement Agreement allow an FX Trading business to act in its own interests without proper regard for the interests of its customers, other market participants or the financial markets as a whole. A failure to control properly the activities of that business in a systemically important market undermines confidence in the Ontario capital markets and puts its integrity at risk. Staff views these as matters of the utmost importance when considering the need for credible deterrence.

15. Step 3 is therefore $13,287,000.

Step 4: Settlement discount

16. Staff consider that the exemplary cooperation during this investigation as well as the early settlement by the Respondent merits a significant discount of 30% to the amount referred to in Step 3.

17. The application of Step 4 results in a voluntary payment amount of $9,300,900.

2.3.2 Royal Bank of Canada – ss. 127, 127.1

IN THE MATTER OF
ROYAL BANK OF CANADA

D. Grant Vingoe, Vice-Chair and Chair of the Panel
Lawrence P. Haber, Commissioner
Heather Zordel, Commissioner

August 30, 2019

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

WHEREAS on August 30, 2019, the Ontario Securities Commission held a hearing at the offices of the Commission, to consider the Joint Request for a Settlement Hearing filed by Royal Bank of Canada (**RBC**) and Staff of the Commission (**Staff**) for approval of a settlement agreement entered into on August 26, 2019 (the **Settlement Agreement**);

ON READING the Statement of Allegations dated August 23, 2019 and the Settlement Agreement, and on hearing the submissions of the representatives for TD and Staff, and on considering the undertaking of RBC dated August 23, 2019 attached as Schedule "A" to this Order*;*

IT IS ORDERED THAT:

1. the Settlement Agreement is approved;

2. RBC's Internal Audit Group will conduct an internal audit of RBC's compliance with FX Global Code, and the practices and procedures relating thereto, including in relation to the disclosure of confidential customer information in its global FX business, and institute any necessary changes in accordance with the process set out in Schedule "B" to the Order, pursuant to paragraph 4 of subsection 127(1) of the *Securities Act*, RSO 1990, c S.5 (the **Act**);

3. the funds received pursuant to the voluntary payment of $13,552,000 are designated for allocation or use by the Commission in accordance with paragraphs (b)(i) or (ii) of subsection 3.4(2) of the Act; and

4. RBC shall pay costs in the amount of $800,000, pursuant to section 127.1 of the Act.

"D. Grant Vingoe"
D. Grant Vingoe

"Lawrence P. Haber"
Lawrence P. Haber

"Heather Zordel"
Heather Zordel

Schedule "A"

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

- and -

IN THE MATTER OF
ROYAL BANK OF CANADA

UNDERTAKING TO THE ONTARIO SECURITIES COMMISSION

1. This Undertaking is given in connection with the settlement agreement dated **[date]** (the "Settlement Agreement") between Royal Bank of Canada (the "Respondent") and Staff ("Staff") of the Commission. All terms shall have the same meanings in this Undertaking as in the Settlement Agreement.

2. The Respondent undertakes to the Commission to:

> make a voluntary payment to be designated for allocation or use by the Commission in accordance with paragraphs (b)(i) or (ii) of subsection 3.4(2) of the Act, in the amount of $13,552,000, by wire transfer to the Commission before the order approving the Settlement Agreement is made, which payment is conditional upon approval of the Settlement Agreement by the Commission.

DATED at Toronto, Ontario this 23rd day of August, 2019.

"*Sandra Dye*"
Witness: Sandra Dye

ROYAL BANK OF CANADA

By: "*Jonathan Hunter*"
Name: **Jonathan Hunter**
Title: Global Head, Fixed Income & Currencies

Schedule "B" – REVIEW OF PRACTICES AND PROCEDURES

1. Royal Bank of Canada ("RBC") will conduct an internal audit of its compliance framework with the FX Global Code, and the practices and procedures relating thereto, including in relation to the disclosure of confidential customer information in its global FX business (the "FX Business Compliance System") covering the period from February 1, 2020 to July 31, 2020 to ensure that:

   (a) the FX Business Compliance System fully complies with the FX Global Code;

   (b) In relation to its FX business, RBC's culture, governance arrangements, policies, procedures, systems and controls are of a sufficiently high standard to effectively manage the following risks ('the Specified Risks'):

      1. Attempts to manipulate (or control) fixes (including 'building');
      2. Application of 'hard mark-ups' to clients;
      3. Coordinated trading (e.g. instructions when to/not to trade);
      4. Performing 'partial fills' of client orders;
      5. Use of layering and/or wash trades;
      6. Triggering of client stop loss orders;
      7. Inappropriately trading ahead of client orders (e.g. front running);
      8. Inappropriately sharing or receiving confidential information with traders at other firms (including (i) the use of codes to identify clients, and (ii) the sharing of spreads);
      9. Inappropriately assigning 'transaction window' rates to client orders (e.g. assigning the client the worst rate available);
      10. Inappropriate use of personal trading accounts (including spread betting); and
      11. Other types of unacceptable behaviour, trader misconduct, breaches of client confidentiality and failure to manage conflicts of interest.

   (i) The internal audit will include, but not be limited to:

      1. front office culture;
      2. the adequacy of the first line of defence (i.e. the risk and control environment relating to day to day operations, including monitoring of traders' activity and conduct);
      3. the adequacy of compliance and risk in the first and second lines of defence;
      4. the adequacy of the challenge of risk management by the second line of defence;
      5. the role and appropriateness of financial incentives and performance management;
      6. the adequacy of training for the specific relevant business area;
      7. the adequacy of communications monitoring and surveillance;
      8. the adequacy of the management of conflicts of interest; and
      9. benchmarks, whether trading, judgement or submissions based, which fall within any of these business areas.

   (c) the FX Business Compliance System is designed to prevent and identify non-compliance at an early stage, to allow for correction of the conduct in a timely manner, and to escalate breaches for appropriate action; and

   (d) all applicable RBC staff are trained on RBC's policies regarding the disclosure of confidential information including the specifics of permitted and non-permitted communications with third parties.

2. RBC shall deliver the internal audit report (the "Report") to a Manager in the Derivatives branch of the Commission (the "OSC Manager") by December 1, 2020;

3. Within 6 months of the delivery of the Report to the OSC Manager, RBC shall have fully implemented any recommendations in the Report, and the Chief Compliance Officer of RBC (the "CCO") shall provide written confirmation to the OSC Manager that there has been full implementation of the recommendations in the Report (the "Confirmation Letter");

4. Within 12 months of the provision of the Confirmation Letter to the OSC Manager, the CCO shall provide a letter (the "Attestation Letter") to the OSC Manager, stating that the recommendations of internal audit in the Report are being appropriately followed, administered and enforced by RBC.

5. RBC shall immediately submit to Staff a direction giving consent for unrestricted access and permission for Staff and the RBC internal audit team to communicate with one another regarding the internal audit and RBC's progress with respect to the implementation of the recommendations in the Report.

IN THE MATTER OF
ROYAL BANK OF CANADA

SETTLEMENT AGREEMENT

PART I – INTRODUCTION

1. The foreign exchange ("FX") markets are among the largest and most liquid markets in the world.[1] Their integrity is of central importance to the broader capital markets, including the Ontario capital markets. Over a period of at least three years, from 2011 to 2013 (the "Material Time"), Royal Bank of Canada ("RBC") failed to have sufficient supervision and controls in its FX trading business. Additionally, despite actions taken by RBC in November 2013 to impose a ban on multi-dealer chatrooms, as described below certain compliance monitoring issues continued into 2015. RBC did not sufficiently promote a culture of compliance in the FX trading business, which allowed FX traders to behave in a manner which put RBC's economic interests ahead of the interests of its customers, other market participants and the integrity of the capital markets. Failures of this nature put customers at risk of harm and undermine market integrity. RBC's failures in this regard were contrary to the public interest.

2. RBC's failure to have sufficient supervision and controls in its FX trading business allowed the inappropriate sharing of confidential customer information by RBC FX traders with FX traders at other competitor firms on a regular basis. Staff ("Staff") of the Ontario Securities Commission (the "Commission") have identified many hundreds of prohibited disclosures throughout 2011-2013.[2] The disclosures included detailed information about the customer orders such as trade sizes, timing, price, or stop-loss levels. In addition, RBC FX traders received confidential customer information of competitor firms on a regular basis which allowed them to gain a potential advantage in the market and over traders at other firms who did not have access to this information.[3]

3. RBC appeared to rely primarily on its front office[4] FX trading supervisors and their delegates, who were responsible for the first line of defence, to identify, assess and manage risks concerning the disclosure of confidential customer information. The front office failed to adequately discharge these responsibilities with regard to obvious risks associated with confidentiality and conflicts of interest. These failings occurred in circumstances where some of those responsible for managing front office matters were aware of and/or at times involved in the inappropriate disclosures described herein. They also occurred even though a Managing Director in RBC's FX trading business, RBC Managing Director A, was aware of confidentiality risks arising from the use of electronic chatrooms as early as April 2012.

4. Staff expect firms trading in FX to identify, assess and manage appropriately the risks of non-compliance with the *Securities Act*[5] (the "Act") and risks to the integrity of capital markets. Staff also expect firms to promote a culture of compliance where their personnel adhere to high ethical standards and ensure their behaviour does not put customers and the integrity of the capital markets at risk. Firms must be vigilant about detecting, thwarting and addressing potential market abuse activities, including behaviours where market participants use their position to gain an inappropriate advantage over other market participants.

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1 The daily average volume turnover of the global FX market was over USD 5 trillion in April 2013 according to the Bank for International Settlements (BIS) Triennial Central Bank Survey 2013.

2 Staff is not suggesting that in every prohibited disclosure, confidential customer information was disclosed. For example, the prohibited disclosure could have come from other institutions. However, in many other instances confidential customer information was shared with other participants in the chatroom.

3 Although Staff is not alleging specific violations as described below, or suggesting that there is evidence of such misconduct, it is helpful to describe generally the types of misconduct that gives rise to market integrity issues. For the purpose of providing guidance to market participants, types of misconduct could include:

> Front Running – a prohibited practice where a broker enters into an equity trade with foreknowledge of a block transaction which will influence the price of the equity, resulting in an economic gain for the broker.
>
> Trading Ahead – a market maker trading securities from his firm's own account instead of matching available bid and ask orders from market investors.
>
> Proprietary Position – when a firm or bank invests for its own direct gain instead of trading on behalf of its clients.
>
> Triggering Stops – attempts to trigger client stop loss orders involving inappropriate disclosure to traders at other firms concerning details of the size, direction and level of client stop loss orders. Traders would potentially profit from this activity because if successful, they would have sold the particular currency to its client pursuant to the stop loss order at a higher rate than it had bought that currency in the market.

4 Front Office means RBC's FX Trading Desk.

5 RSO 1990, c S.5, as amended.

(1) The Scope of FX Markets

5. The FX markets, in which participants can buy, sell, exchange and speculate on currencies, are among the largest financial markets in the world. Participants in the FX markets include banks, commercial companies, central banks, investment management firms and investment funds.

6. The institutional FX markets encompass a wide variety of transactions including transactions involving:

   a) the exchange of currencies between two parties at an agreed rate for settlement within two business days from the trade date;

   b) the exchange of currencies between two parties at an agreed rate for settlement on a future date (usually more than two business days from the trade date); and

   c) the option for one party to exchange currencies with another party at a fixed rate by or on a certain future date.

(2) Commission Jurisdiction in the FX Markets and Importance of Ethical Conduct

7. The Commission has jurisdiction over conduct in the FX markets for the purposes of s.127 of the Act. The markets for these transactions are interconnected as spot transactions are part of the basis upon which the value of FX forwards, swaps and options are determined. Benchmarks set in the spot FX market are used throughout the world to establish the relative values of different currencies and are of crucial importance in worldwide capital markets including over-the-counter derivative and commodity futures markets and establishing benchmarks for valuing assets and liabilities, such as those of investment funds.

8. Given the importance of the FX markets and their impact on the broader capital markets, it is vital to fostering confidence in the capital markets that market participants like RBC ensure honest and responsible conduct by its employees in the FX trading business. Implementing sufficient systems of control and supervision in the FX trading business are critical to monitoring trader conduct.

9. The Commission expects market participants to identify, assess and manage appropriately the risks that their lines of business pose, to ensure investor protection and market integrity. RBC understands that it is required to comply with this expectation in relation to the conduct of its employees in its FX Trading business.

10. The parties will jointly file a request that the Commission issue a Notice of Hearing (the "Notice of Hearing") to announce that it will hold a hearing (the "Settlement Hearing") to consider whether, pursuant to sections 127 and 127.1 of the Act, it is in the public interest for the Commission to make certain orders against RBC (the "Respondent").

PART II – JOINT SETTLEMENT RECOMMENDATION

11. Staff recommend settlement of the proceeding (the "Proceeding") against the Respondent commenced by the Notice of Hearing, in accordance with the terms and conditions set out in Part V of this settlement agreement (the "Settlement Agreement"). The Respondent consents to the making of an order (the "Order") substantially in the form attached as Schedule "A" to the Settlement Agreement based on the facts set out herein.

12. For the purposes of the Proceeding, and any other regulatory proceeding commenced by a Canadian securities regulatory authority, the Respondent agrees with the facts set out in Part III of the Settlement Agreement and the conclusion in paragraphs 64-65 of the Settlement Agreement.

PART III – AGREED FACTS

A. Background

(1) The Respondent

13. RBC is a Schedule 1 Bank under the *Bank Act* (Canada).[6] During the Material Time, and at present, RBC Capital Markets, a division of RBC, engaged in the purchase and sale of foreign currencies with customers and for itself ("FX Trading"), as defined below. RBC Capital Markets did not engage in trading on behalf of or with retail customers.

14. In the Material Time, RBC's foreign exchange business was based primarily in Toronto and London (U.K.). For some of the Material Time, RBC also had trading or sales desks in New York, Hong Kong and Sydney. In the Material Time, RBC took positions in spot transactions, forwards, swaps and over-the-counter-options.

[6] SC 1991, c. 46.

(2) "Market colour" information

15. During the Material Time, RBC primarily participated in the above FX transactions with customers and for RBC's own account ("proprietary trading"). Making profitable trades could be dependent on correctly assessing the direction of the market for various currency pairs.

16. The FX markets are primarily over-the-counter markets. Accordingly, a bank's profitability and ability to manage business risk in its FX Trading business was dependent on the quality of information its traders possessed. Individual traders sought to understand macroeconomic factors affecting currency rates. There was also an advantage to knowing "market flow" including which institutions were buying or selling which currencies in significant amounts and details of those trades.

17. Exchanging "market colour" including economic analysis relating to the movement of currencies was acceptable. However, during the Material Time, traders inappropriately sought and disclosed specific transaction details, to gain an advantage in the market, which led to the chatroom misconduct described below.

18. The frequent flow of information between traders of different firms using various communication platforms increases the risk of traders sharing confidential information. It is therefore particularly important that financial institutions exercise sufficient control and monitoring of such communications.

B. Chatroom Misconduct

(1) RBC FX traders participated in electronic chatrooms with traders from other firms

19. It was common practice during most of the Material Time for FX traders at firms to use electronic messaging services, such as chatrooms on Bloomberg, to communicate with FX traders at other firms. While the use of such communication tools is not in itself inappropriate, the frequent and significant flow of information between traders at different firms increased the potential risk of traders engaging in improper activity, including, amongst other things, the sharing of confidential customer information.

20. RBC FX traders were involved in several large chatrooms involving FX traders from other international banks ("Multi-Dealer Chatrooms") in addition to bi-lateral chats. Staff have identified many hundreds of prohibited disclosures throughout 2011-2013.

21. These Multi-Dealer Chatrooms had suggestive names, including "Rule 76" or "Rule #76", which was a reference to "No excuses; Play like a champion" from the movie Wedding Crashers, the "Anthill Mob" and the "Cognoscenti".

22. Membership in some of these chatrooms was on an invite only basis and based on members willingness to contribute to the chat. For example, one RBC FX trader based in Toronto, RBC Trader A, was a participant in a chatroom called the "Rule 76" chatroom. Some of the FX traders from the Rule 76 Chatroom created a smaller chatroom and excluded other members from the Rule 76 Chatroom that were not contributing or were being "idle."

23. Participation in chatrooms with traders from other firms had a profit motive. Traders sought an advantage to make more profitable trades on behalf of their bank, which in turn would benefit the trader through performance incentives. For example, in response to another trader's comment "*mate the only reason you're up this year is cause of my info*", an RBC trader, RBC Trader B, stated: *"i agree ur tips hav been hot this year*."

(2) RBC's policies prohibited the disclosure of confidential information

24. The disclosure of confidential customer information to other traders and third parties was contrary to RBC's policies and accepted industry standards.

25. The RBC policies which applied to FX traders during the Material Time emphasized high standards of ethics and integrity. RBC's Code of Conduct (dated December 9, 2011) stated:

> HRE 3 – Our Code of Conduct (Publication Date: December 9, 2011):
>
> "The very essence of the financial services industry demands that we consistently maintain the highest possible standards of honest and ethical behaviour. In keeping with this objective, RBC has eight Guiding Principles that express these high standards and they form the foundation for Our Code of Conduct".

26. Guiding Principle Two of the Code of Conduct dealt with confidentiality and stated that client privacy was a fundamental principle in the financial services industry.

27. During the Material Time, customer transaction details were defined as confidential information. RBC's Capital Markets Chinese Wall, Confidential and Proprietary Information Policy (Revised August 2012) provided as follows:

> "**Confidential Information**" means **non-public information** . . . provided by internal or external sources (such as a client, prospective client or other third party) with the expectation that the information will be kept confidential and will be used solely for the business purposes for which it was provided . . . .While there are exceptions, information obtained in the course of a client assignment, including, but not limited to, **information regarding client and counterparty, transaction details and account numbers should generally be considered confidential. . . .** [Emphasis added]

(3) Chatroom misconduct in violation of RBC's policies

28. During the Material Time, certain RBC FX traders regularly provided confidential information to, and received confidential information from, the traders of other financial institutions, including in respect of the existence of customer stop loss orders. This sharing of confidential information occurred in Multi-Dealer Chatrooms and in bi-lateral chats.

29. All RBC traders understood that the sharing of specific customer names was unequivocally prohibited. While traders were encouraged to seek and use "market flow" and "market colour" in the course of their trading, there was no clear indication as to what, aside from customer names, was impermissible and what was permitted. Consequently, confidential information including specific transaction details was disclosed by RBC traders to individuals at other institutions. The disclosure of such information in some instances was a breach of confidentiality and created the potential risk that this information could be used for the trader's benefit and to the customer's detriment.

30. The following is an RBC trader receiving information about a customer stop loss order from a trader at another firm in a Multi-Dealer Chatroom:

> Bank A Trader: I have decent stop below 20 eur fyi
>
> Bank B Trader: ta
>
> RBC Trader B: a weak one or one that been there a while
>
> Bank A Trader: very fresh
>
> RBC Trader B: just sitting there ready to be popped
>
> …
>
> RBC Trader B: ill let my 24 bid ride a few pips then[7]

31. The sharing of confidential information was a two-way street. For example, on January 10, 2013, RBC Trader B inappropriately disclosed information about a "huge" option that was expiring the next day:

> RBC Trader B: between u s
>
> RBC Trader B: there is huge 13240 tom exp
>
> Bank A Salesperson: ok
>
> Bank A Trader: ta

32. RBC Trader B explained that he said "between us" because he didn't want the information to be "betrayed" into other chatrooms.

33. Despite the request from RBC Trader B to keep the information "between us", the Bank A Salesperson shared the information he received about the "huge" option expiring with customers the following morning.

34. This illustrates that once information is shared, the risk created is impossible to control as it can be further disclosed to a potentially unlimited chain of recipients.

[7] In the chat directly above, RBC Trader B has received confidential information about Bank A Trader's stop and RBC Trader B appears to be using this information to inform his market strategy to make a profit. This behaviour could undermine market integrity because RBC Trader B appears to be using confidential information to gain an advantage over the rest of the market.

(4) Sharing of information with other banks was permitted by RBC FX Supervisors

35. The exchange of information by FX traders was permitted by RBC supervisors and understood by FX traders to be part of their job. However, RBC failed to sufficiently control what information traders were exchanging.

36. RBC Trader B stated that, around the time Multi-Dealer Chatrooms were being shutdown at RBC, he was encouraged to instead communicate on other platforms. While other platforms were not specifically mentioned, RBC Trader B said a supervisor told him "*something along the lines of, I don't care…where you chat, you're just not going to have those chats on Bloomberg.*" This evidence indicates that RBC Trader B was encouraged to continue this chatroom behaviour, despite the fact that chatrooms were being shutdown.

(5) Disclosures of Confidential Customer Information Posed Risks

37. RBC's disclosures of confidential customer information put the customers at risk of economic loss. The behaviour also undermined market integrity.

C. RBC did not have a sufficient system of controls and supervision in place in relation to its FX Trading business during the Material Time

38. During the Material Time, RBC did not have a sufficient system of controls and supervision over its global FX Trading business concerning the disclosure of confidential customer information.

39. RBC operated a "three lines of defence" model to manage risk of FX Trading during the Material Time. RBC's front office (the first line of defence) had primary responsibility for identification of conduct risks and they were expected to escalate concerns to Compliance or a supervisor. In addition, the front office and Compliance functions participated in risk assessments, which could also result in escalation of issues for further review by Compliance or Risk (the second line of defence) or Internal Audit (the third line of defence).

40. During the Material Time, there were deficiencies in the first and second lines of defence as outlined below.

(1) Compliance bulletin prepared by Capital Markets Canada was not properly distributed

41. In 2011, Capital Markets Compliance Canada appeared to recognize the risk that the FX Trading business posed to customers and RBC from a regulatory perspective (insider dealing/market abuse) and market integrity. On October 18, 2011, a "Compliance Bulletin - Foreign Exchange Markets" was prepared by RBC's Capital Markets Compliance Canada that alerted employees to these risks and required, among other things, compliance with the ACI Model Code. The ACI Model Code provided specific guidance on the prohibited nature of disclosing confidential information.

42. However, this appears to have been a Canada-only initiative and it does not appear that the message was effectively implemented. Consequently, the global head of the business was not advised of the bulletin or provided with a copy and the ACI Model Code was not reflected in policies and procedures. While it was distributed to at least one trader, he explained that it was not discussed, and behaviour did not change in a perceptible way. He did not read the ACI Model Code and could not recall any specific training on it. He agreed that he was listed as an attendee at a December 4, 2013 training session which discussed the ACI Model Code but found it "kind of interesting that this training [was] happening two years after we were initially passed the ACI model code."

(2) RBC did not provide sufficient guidance to its FX traders about the prohibition on sharing of confidential information

43. RBC's policies and procedures during the Material Time did not provide sufficient guidance to FX traders. While, as noted above, the policies prohibited disclosing confidential customer information, they were high-level in nature and applied to RBC or RBC Capital Markets as a whole. The policies did not specifically address the use of chatrooms or the practical issues FX traders faced daily. For instance, the policies did not provide sufficient guidance on the differences between sharing confidential information, which was prohibited, and sharing acceptable "market colour".

(3) RBC's FX front office did not sufficiently identify, assess and manage risks concerning the disclosure of confidential customer information

44. During the Material Time, RBC appeared to rely primarily on its front office FX Trading supervisors and their delegates, who were responsible for the first line of defence, to identify, assess and manage risks concerning the disclosure of confidential customer information.

45. The front office did not effectively do so. FX traders were not provided with sufficient guidance on what was or was not acceptable in chatrooms. The front office did not effectively supervise chatroom discussions. Even heads of regional desks, who were supposed to be supervising conduct, participated in the disclosure of confidential customer information in chatrooms.

(4) RBC's Second Line of Defence Failed to Sufficiently Address the Risk posed by the Chatrooms

46. Compliance, the second line of defence, failed to sufficiently address the risk posed by the chatrooms. For example, while correctly identifying the risk in October 2011, it failed to ensure the guidance was distributed and to coordinate training in conjunction with other departments.

47. For much of the Material Time, Compliance's role in monitoring the FX Trading business was primarily focused on developing FX trade surveillance and performing electronic communications surveillance—the limitations of which are discussed below.

(5) RBC did not formally prohibit Multi-Dealer Chatrooms until March 2014 (with an FX-specific chat ban being implemented in October 2013) despite being aware of issues in Chatrooms as early as April 2012

48. Although there was widespread media and regulatory attention since the middle of 2012 concerning the risks associated with the use of chatrooms, RBC did not formally prohibit multi-dealer chats until March 2014 (with a FX-specific chat ban being implemented in October/November 2013) despite:

a) RBC Managing Director A being aware of Bloomberg-related FX issues as early as April 2012; and

b) FX traders and heads of desk discussing potential chatroom shutdowns as early as August 2012.

49. In a chat dated April 24, 2012, RBC Managing Director A advised a head of desk, RBC Trader C:

> RBC Managing Director A: hihi
>
> RBC Trader C: Hi mate
>
> RBC Managing Director A: Lets be careful about chats discussing fixing orders that we have with other banks BOE made special mention of these at our meeting yesterday
>
> RBC Trader C: understood
>
> RBC Trader C: To be honest we see so few I think we should be out of the focus by will make good note
>
> RBC Managing Director A: well less and less clients wanting to execute for that time as they feel its manipulated
>
> RBC Managing Director A: where's there's smoke there['s] fire

50. While the subject of chatrooms was specifically discussed at an FX operating committee meeting in September 2012, RBC's FX front office decided against banning or restricting chatrooms. Some banks, however, did prohibit Multi-Dealer Chatrooms. These prohibitions were discussed in chatrooms involving RBC FX employees in August 2012 and April 2013.

51. RBC Managing Director A eventually banned chatrooms in the FX business globally, but this was only in October/November 2013—more than a year after specifically contemplating and rejecting any action on chatrooms.

(6) RBC Compliance's "electronic communications" review was insufficient to identify disclosure of confidential customer information

52. As a regular monitoring, supervision or control practice, Compliance relied in part on an electronic communications "e-comms" (including email and other messaging platforms) review based on lexicon "hotword" lists and random sampling. Issues with the review included the following:

a) It was only in December 2013 that Compliance began including FX traders' communications in the e-comms review. Before then, there were no compliance systems in place to identify or prevent inappropriate inter-bank or internal communications by the spot FX desk.

b) The RBC Capital Markets (Canada) Guide to Electronic Communication Review dated May 2013, does not identify FX traders as being subject to e-comms review.

c) In Canada, after November 2013, the lexicon expanded but the sample size for electronic testing did not. Moreover, there was no requirement that the sample size include a specific proportion of external, as opposed to internal, emails.

d) The Canadian lexicon was limited to English and French. As a result, the lexicon was not designed to catch misconduct in, for example, Spanish language chatrooms. A number of RBC employees participated in a chatroom called "Latam mafia" that exchanged information in Spanish. It also meant that Compliance did not have adequate information about the types of chatrooms that FX traders were participating in unless they were captured by the enterprise sampling component of the e-comms review.

e) Differing lexicons globally may have resulted in supervision failures. For example, a March 2014 chat was flagged by Compliance in one jurisdiction, but not Canada Compliance, potentially because of the differing lexicon.

f) Problematic chats identified by Staff do not appear to have been caught by either the lexicon or random sampling.

g) At least one of the e-comms reviewers had no FX experience when he started working with the FX business. His reviews were initially based on his knowledge of fixed income trading.

h) A February 2015 Review noted that certain messaging applications used during the Material Time by FX sales and trading staff (e.g. Reuters Dealing) were not being captured and thus not subject to Compliance review. The report suggested that it would take up to eight months to resolve the situation.

53. A market participant that identifies a problem in respect of its systems of internal control or any other inappropriate activity that has affected (or may affect) investors or compromises the integrity of Ontario's capital markets, should promptly and fully self-report. RBC failed to establish a sufficient compliance system to monitor its FX Trading business. As such, the lack of sufficient controls meant that misconduct went undetected, and RBC was unable to remediate, self-report and escalate concerns.

(7) RBC Managing Director A banned multi-dealer chats in FX business more than a year after first considering bans

54. In October/November 2013, RBC Managing Director A banned multi-dealer chats in the FX business. This chat ban went undocumented, and RBC traders understood the ban to apply to only permanent, not instant chats. In March 2014, an RBC Capital Markets-wide chat ban was instituted. According to a Frequently Asked Questions list that was prepared by Compliance, "the policy does not distinguish between permanent and ad-hoc chatrooms or conversations".

55. From an operational perspective, the March 2014 ban was insufficient. In chats, various traders discussed alternative means of communication, such as other chatrooms, WhatsApp and the telephone, although Staff have no evidence of traders participating in similar misconduct in a different forum following the chat ban. RBC Canada did not appropriately address this risk. Instead, it reduced the number of e-comms reviewed from 100 to 80 between August 2014 and January 2015.

(8) RBC provided insufficient training and guidance on how RBC's general policies on confidentiality should be applied to the FX Trading business

56. There was insufficient training and guidance during the Material Time on how RBC's general policies on confidentiality should be applied specifically to the FX Trading business. For instance, the Compliance refresher training for FX traders in 2011 and 2013 simply stated: "Don't inappropriately distribute any confidential or proprietary information". It did not refer to chatrooms or what could or could not be discussed in them. RBC Trader A and RBC Trader B told Staff that they could not recollect receiving training on the treatment of confidential information.

57. The general, high-level training that was provided did not provide sufficient guidance to FX traders about FX compliance issues, including how the Code of Conduct applies to their trading behaviour.

58. In chats, FX traders expressed concerns about the sufficiency of guidance from Compliance. Perhaps because of the lack of guidance from both the front office and Compliance, it appears that traders relied on those around them. However, some of those individuals were engaged in problematic conduct themselves.

59. The insufficient training and guidance about the application of general policies to the FX Trading business increased the risk that confidential customer information could be disclosed.

D. OTHER FACTORS

60. Staff have considered the above and certain other factors in arriving at the voluntary payment amount. The methodology is set out in Schedule "C" to the Settlement Agreement entitled Calculation of Voluntary Payment. It includes the nature and seriousness of the conduct.

61. There is no evidence or indication that RBC was involved in any plan or collusion to attempt to manipulate the WM/Reuters benchmark or any other benchmark rate.

62. Staff would like to acknowledge RBC's cooperation in resolving this matter.

(1) Continuing Compliance Remediation

63. Since 2013, RBC has enhanced its system of supervision and controls over its FX Trading business, including by:

a) Prohibiting the use of Multi-Dealer Chatrooms by 2014, shutting down all active multi-dealer chatrooms shortly thereafter, and instituting a technical fix to disable traders' access to multi-dealer Bloomberg chatrooms by early 2016;

b) Continuously enhancing its electronic communication surveillance, including by expanding the lexicon lists and implementing a harmonized global lexicon list;

c) Enhancing first line of defence supervision and controls, including by introducing trade desk supervision on all cancelled, amended, held and late trades, review of fair pricing, and review of P&L by trader by early 2016;

d) Developing and implementing an FX Global Policy in 2015 which, among other things, provides guidance on the differences between sharing acceptable "market colour" and sharing confidential information;

e) Conducting FX-specific market conduct training, including global training in 2013, and global training on the FX Global Policy beginning in 2015;

f) Assisting in the development of the FX Global Code[8] and adopting the Code; and

g) Introducing enhanced controls and monitoring over the use of mobile devices.

PART IV – CONDUCT CONTRARY TO THE PUBLIC INTEREST

64. RBC acknowledges and admits that, during the Material Time, it engaged in conduct contrary to the public interest by:

(a) sharing confidential customer information with FX traders at other firms in electronic chatrooms; and

(b) failing to establish and maintain an adequate compliance system that addressed inappropriate information sharing and thus provided reasonable assurance that RBC:

(iii) complied with securities legislation, and in particular the market manipulation and fraud prohibitions in the Act; and

(iv) did not undermine confidence in the integrity of the FX markets.

65. As a result, RBC failed to meet the high standards of conduct expected of a market participant, which potentially put its customers at risk.

PART V – TERMS OF SETTLEMENT

66. The Respondent agrees to the terms of settlement set forth below.

67. The Respondent consents to the Order substantially in the form attached as Schedule "A", pursuant to which it is ordered that:

a) the Settlement Agreement be approved;

b) RBC's Internal Audit Group will conduct an internal audit of RBC's compliance with the FX Global Code, and the practices and procedures relating thereto, including in relation to the disclosure of confidential customer information in its global FX business, and institute any necessary changes in accordance with the process set forth in Schedule "B" to the Order, pursuant to paragraph 4 of subsection 127(1) of the Act;

[8] The FX Global Code is a set of global principles of good practice in the FX markets that has been developed to provide a common set of guidelines to promote the integrity and effective functioning of the FX markets.

c) the voluntary payment of $13,552,000 by the Respondent is designated for allocation or use by the Commission in accordance with paragraph 3.4(2)(b)(i) or (ii) of the Act; and

d) the Respondent pay costs in the amount of $800,000, by wire transfer to the Commission before the commencement of the Settlement hearing pursuant to section 127.1 of the Act.

68. The Respondent has given an undertaking (the "Undertaking") to the Commission in the form attached as Schedule "A" to the Order to:

> make a voluntary payment to be designated for allocation or use by the Commission in accordance with paragraphs (b)(i) or (ii) of subsection 3.4(2) of the Act, in the amount of $13,552,000, by wire transfer to the Commission before the order approving the Settlement Agreement is made, which payment is conditional upon approval of the Settlement Agreement by the Commission;

69. The Respondent acknowledges that the Settlement Agreement and the Order (except for the payment described in paragraph 67.c)) may form the basis for orders of parallel effect in other jurisdictions in Canada. The securities laws of some other Canadian jurisdictions allow orders made in this matter to take effect in those other jurisdictions automatically, without further notice to the Respondent.

PART VI – FURTHER PROCEEDINGS

70. If the Commission approves the Settlement Agreement, Staff will not commence or continue any proceeding against the Respondent under Ontario securities law based on the misconduct described in Part III of the Settlement Agreement, unless the Respondent fails to comply with any term in the Settlement Agreement or the Undertaking, in which case Staff may bring proceedings under Ontario securities law against the Respondent that may be based on, among other things, the facts set out in Part III of the Settlement Agreement as well as the breach of the Settlement Agreement or the Undertaking.

71. The Respondent acknowledges that, if the Commission approves the Settlement Agreement and the Respondent fails to comply with any term in it or the Undertaking, Staff or the Commission are entitled to bring any proceedings necessary to, among other things, recover the amounts set out in sub-paragraphs 67(c) and 67(d), above.

72. The Respondent waives any defences to a proceeding referenced in paragraphs 70-71 that are based on the limitation period in the Act, provided that no such proceeding shall be commenced later than six years from the date of the occurrence of the last failure to comply with the Settlement Agreement or the Undertaking.

PART VII – PROCEDURE FOR APPROVAL OF SETTLEMENT

73. The parties will seek approval of the Settlement Agreement at the Settlement Hearing before the Commission, which shall be held on a date determined by the Secretary to the Commission in accordance with the Settlement Agreement and the Commission's *Rules of Procedure*, dated July 23, 2019.

74. The Respondent may have a representative attend the Settlement Hearing in person or have counsel attend the Settlement Hearing on its behalf.

75. The parties confirm that the Settlement Agreement sets forth all of the agreed facts that will be submitted at the Settlement Hearing, unless the parties agree that additional facts should be submitted at the Settlement Hearing.

76. If the Commission approves the Settlement Agreement:

a) the Respondent irrevocably waives all rights to a full hearing, judicial review or appeal of this matter under the Act; and

b) neither party will make any public statement that is inconsistent with the Settlement Agreement or with any additional agreed facts submitted at the Settlement Hearing.

77. Whether or not the Commission approves the Settlement Agreement, the Respondent will not use, in any proceeding, the Settlement Agreement or the negotiation or process of approval of the Settlement Agreement as the basis for any attack on the Commission's jurisdiction, alleged bias, alleged unfairness or any other remedies or challenges that may be available.

PART VIII – DISCLOSURE OF SETTLEMENT AGREEMENT

78. If the Commission does not make the Order:

a) the Settlement Agreement and all discussions and negotiations between Staff and the Respondent before the Settlement Hearing will be without prejudice to Staff and the Respondent; and

b) Staff and the Respondent will each be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing on the merits of the allegations contained in the Statement of Allegations in respect of the Proceeding. Any such proceedings, remedies and challenges will not be affected by the Settlement Agreement, or by any discussions or negotiations relating to the Settlement Agreement.

79. The parties will keep the terms of the Settlement Agreement confidential until the Settlement Hearing, unless they agree in writing not to do so or unless otherwise required by law.

PART IX – EXECUTION OF SETTLEMENT AGREEMENT

80. The Settlement Agreement may be signed in one or more counterparts which together constitute a binding agreement.

81. A facsimile copy or other electronic copy of any signature will be as effective as an original signature.

DATED at Toronto, Ontario this 23rd day of August, 2019.

"*Sandra Dye*"
Witness: Sandra Dye

ROYAL BANK OF CANADA

By: "*Jonathan Hunter"*
Name: **Jonathan Hunter**
Title: Global Head, Fixed Income & Currencies

DATED at Toronto, Ontario, this 23rd day of August, 2019.

ONTARIO SECURITIES COMMISSION

By: "*Jeff Kehoe*"
Name: Jeff Kehoe
Title: Director, Enforcement Branch

SCHEDULE "A"

FORM OF ORDER

IN THE MATTER OF

[Company and/or Individual Name(s)]

File No. [#]

(Names of panelists comprising the panel)

(Day and date order made)

ORDER

(Sections 127 and 127.1)

WHEREAS:

1. on **[date]**, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing (the "Notice of Hearing") in relation to the Statement of Allegations filed by Staff of the Commission ("Staff") on **[date]** with respect to Royal Bank of Canada ("RBC" or the "Respondent");

2. the Notice of Hearing gave notice that on **[date]**, the Commission would hold a hearing to consider whether it is in the public interest to approve a settlement agreement between the Respondent and Staff dated **[date]** (the "Settlement Agreement");

3. pursuant to the Settlement Agreement, the Respondent has given an undertaking (the "Undertaking") to the Commission, in the form attached as Schedule "A" to this Order, which includes an undertaking to make a voluntary payment to be designated for allocation or use by the Commission in accordance with paragraphs (b)(i) or (ii) of subsection 3.4(2) of the Act, in the amount of $13,552,000, by wire transfer to the Commission before the order approving the Settlement Agreement is made, which payment is conditional upon approval of the Settlement Agreement by the Commission.

4. the Respondent acknowledges that the Settlement Agreement and this Order may form the basis for orders of parallel effect in other jurisdictions in Canada;

5. the Commission has reviewed the Settlement Agreement, the Undertaking, the Notice of Hearing and the Statement of Allegations and heard submissions from counsel for the Respondent and Staff; and

6. the Commission is of the opinion that it is in the public interest to make this Order.

ON READING [give particulars of the material filed] and on hearing the submissions of the representative(s) for [name parties], [add as applicable: (name parties) appearing in person; no one appearing for (name parties), although properly served as appears from (indicate proof of service)], [and considering (indicate any consents or undertakings if provided)];

IT IS ORDERED THAT:

(d) the Settlement Agreement be approved;

(e) RBC's Internal Audit Group will conduct an internal audit of RBC's compliance with the FX Global Code, and the practices and procedures relating thereto, including in relation to the disclosure of confidential customer information in its global FX business, and institute any necessary changes in accordance with the process set forth in Schedule "B" to the Order, pursuant to paragraph 4 of subsection 127(1) of the Act;

(f) the Respondent pay costs in the amount of $800,000, pursuant to section 127.1 of the Act;

_____
[Commissioner]

_____ _____
[Commissioner] [Commissioner]

SCHEDULE "A" TO THE ORDER

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

- and -

IN THE MATTER OF
ROYAL BANK OF CANADA

UNDERTAKING TO THE ONTARIO SECURITIES COMMISSION

1. This Undertaking is given in connection with the settlement agreement dated **[date]** (the "Settlement Agreement") between Royal Bank of Canada (the "Respondent") and Staff ("Staff") of the Commission. All terms shall have the same meanings in this Undertaking as in the Settlement Agreement.

2. The Respondent undertakes to the Commission to:

> make a voluntary payment to be designated for allocation or use by the Commission in accordance with paragraphs (b)(i) or (ii) of subsection 3.4(2) of the Act, in the amount of $13,552,000, by wire transfer to the Commission before the order approving the Settlement Agreement is made, which payment is conditional upon approval of the Settlement Agreement by the Commission.

DATED at Toronto, Ontario this 23rd day of August, 2019.

"*Sandra Dye*"
Witness: Sandra Dye

ROYAL BANK OF CANADA

By: "*Jonathan Hunter*"
Name: **Jonathan Hunter**
Title: Global Head, Fixed Income & Currencies

Schedule "B" – REVIEW OF PRACTICES AND PROCEDURES

1. Royal Bank of Canada ("RBC") will conduct an internal audit of its compliance framework with the FX Global Code, and the practices and procedures relating thereto, including in relation to the disclosure of confidential customer information in its global FX business (the "FX Business Compliance System") covering the period from February 1, 2020 to July 31, 2020 to ensure that:

(a) the FX Business Compliance System fully complies with the FX Global Code;

(b) In relation to its FX business, RBC's culture, governance arrangements, policies, procedures, systems and controls are of a sufficiently high standard to effectively manage the following risks ('the Specified Risks'):

1. Attempts to manipulate (or control) fixes (including 'building');
2. Application of 'hard mark-ups' to clients;
3. Coordinated trading (e.g. instructions when to/not to trade);
4. Performing 'partial fills' of client orders;
5. Use of layering and/or wash trades;
6. Triggering of client stop loss orders;
7. Inappropriately trading ahead of client orders (e.g. front running);
8. Inappropriately sharing or receiving confidential information with traders at other firms (including (i) the use of codes to identify clients, and (ii) the sharing of spreads);
9. Inappropriately assigning 'transaction window' rates to client orders (e.g. assigning the client the worst rate available);
10. Inappropriate use of personal trading accounts (including spread betting); and
11. Other types of unacceptable behaviour, trader misconduct, breaches of client confidentiality and failure to manage conflicts of interest.

(i) The internal audit will include, but not be limited to:

1. front office culture;
2. the adequacy of the first line of defence (i.e. the risk and control environment relating to day to day operations, including monitoring of traders' activity and conduct);
3. the adequacy of compliance and risk in the first and second lines of defence;
4. the adequacy of the challenge of risk management by the second line of defence;
5. the role and appropriateness of financial incentives and performance management;
6. the adequacy of training for the specific relevant business area;
7. the adequacy of communications monitoring and surveillance;
8. the adequacy of the management of conflicts of interest; and
9. benchmarks, whether trading, judgement or submissions based, which fall within any of these business areas.

(c) the FX Business Compliance System is designed to prevent and identify non-compliance at an early stage, to allow for correction of the conduct in a timely manner, and to escalate breaches for appropriate action; and

(d) all applicable RBC staff are trained on RBC's policies regarding the disclosure of confidential information including the specifics of permitted and non-permitted communications with third parties.

2. RBC shall deliver the internal audit report (the "Report") to a Manager in the Derivatives branch of the Commission (the "OSC Manager") by December 1, 2020;

3. Within 6 months of the delivery of the Report to the OSC Manager, RBC shall have fully implemented any recommendations in the Report, and the Chief Compliance Officer of RBC (the "CCO") shall provide written confirmation to the OSC Manager that there has been full implementation of the recommendations in the Report (the "Confirmation Letter");

4. Within 12 months of the provision of the Confirmation Letter to the OSC Manager, the CCO shall provide a letter (the "Attestation Letter") to the OSC Manager, stating that the recommendations of internal audit in the Report are being appropriately followed, administered and enforced by RBC.

5. RBC shall immediately submit to Staff a direction giving consent for unrestricted access and permission for Staff and the RBC internal audit team to communicate with one another regarding the internal audit and RBC's progress with respect to the implementation of the recommendations in the Report.

Schedule "C"

CALCULATION OF VOLUNTARY PAYMENT

1. In cases where there is no alleged violation of Ontario securities law but there is still significant conduct contrary to the public interest, Staff and respondents typically agree to a voluntary payment in order to reflect adequate specific and general deterrence.

2. Specific and general deterrence are aimed at promoting high standards of regulatory conduct by deterring participants in the markets from committing further contraventions of securities law or the public interest, helping to deter other participants in the markets from committing such contraventions and demonstrating generally the benefits of compliant behaviour.

3. Such a payment is consistent with the prospective and preventative focus of the Commission's public interest powers.

4. In this case, deterrence means that a significant financial penalty against RBC is appropriate.

5. Staff have approached the calculation of the voluntary payment to account for certain principles, which are described below together with Staff's analysis.

Four-Step Methodology

6. Staff have considered a four-step methodology to the calculation, which takes into account relevant principles.

Step 1: Disgorgement

7. Given there is no allegation of a breach of Ontario securities law, Staff have not considered disgorgement. In addition, it is not practicable to quantify any financial benefit that RBC may have derived directly from its failings.

Step 2: The seriousness of the conduct

8. RBC's conduct was serious. The failings in RBC's procedures, systems and controls in its FX Trading business occurred over a period of more than three years prior to October 2013. This gave rise to a risk that RBC's traders would engage in the behaviours described in the Settlement Agreement, including inappropriate disclosures of confidential information. RBC's conduct undermines confidence in Ontario's capital markets.

9. RBC is one of the biggest, most sophisticated and well-resourced financial services institutions in Canada. Serious failings committed by such a firm warrant a significant voluntary payment.

10. At Step 2 Staff have considered a figure that reflects the seriousness of the conduct. Where the amount of revenue generated by a firm from a particular product line or business area is indicative of the harm or potential harm that its conduct may have caused, that figure will be based on a percentage of the firm's revenue from the relevant products or business area. Staff have therefore determined a figure based on a percentage of RBC's relevant revenue. Staff consider that the relevant revenue for the period from 2011 to 2013 is $124,000,000.

11. In deciding on the percentage of the relevant revenue that forms the basis of the Step 2 figure, Staff have considered the seriousness of the conduct based on a percentage between 0% and 20%. This range is divided into five fixed levels which represent, on a sliding scale, the seriousness of the breach; the more serious the breach, the higher the percentage. Staff consider 10% to be an appropriate level to reflect the seriousness of RBC's conduct based on the following factors:

Impact of the conduct

(1) The conduct potentially had an adverse effect on the confidence in integrity of the FX and broader capital markets due to the importance of the FX markets.

Nature of the failure

(2) There were serious and systemic weaknesses in RBC's procedures, systems and controls in its FX Trading business over a number of years;

(3) RBC failed to adequately address obvious risks in that business in relation to conflicts of interest and confidentiality. These risks were clearly identified in industry codes published before and during the Material Time and as internally recognized at RBC as early as October 2011.

(4) RBC's failings allowed improper trader behaviours to occur in its FX Trading business as described in the Settlement Agreement.

(5) There was a potential detriment to customers and to other market participants arising from misconduct in the FX market;

(6) Certain of those responsible for managing front office matters at RBC were aware of and/or at times involved in behaviours described in the Settlement Agreement;

12. Taking all of these factors into account, Staff have calculated Step 2 at $12,400,000.

Step 3: Adjustment for deterrence

13. In Step 3, Staff have considered whether the figure arrived at after Step 2 is insufficient to deter RBC or other market participants. Staff consider that adding the amount of $1,000,000 per year of failures ($3,000,000) to be appropriate.

14. The failings described in the Settlement Agreement allow an FX Trading business to act in its own interests without proper regard for the interests of its customers, other market participants or the financial markets as a whole. A failure to control properly the activities of that business in a systemically important market undermines confidence in the Ontario capital markets and puts its integrity at risk. Staff views these as matters of the utmost importance when considering the need for credible deterrence.

15. Step 3 is therefore $15,400,000.

Step 4: Settlement discount

16. Staff consider that the early settlement during this investigation by the Respondent merits a 12% discount to the amount referred to in Step 3.

17. The application of Step 4 results in a voluntary payment amount of $13,552,000.

Chapter 3

Reasons: Decisions, Orders and Rulings

3.1 OSC Decisions

3.1.1 The Toronto-Dominion Bank – ss. 127, 127.1

Citation: *The Toronto-Dominion Bank (Re)*, 2019 ONSEC 29
Date: 2019-08-30
File No. 2019-31

IN THE MATTER OF THE TORONTO-DOMINION BANK

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

Hearing:	August 30, 2019	
Decision:	August 30, 2019	
Panel:	D. Grant Vingoe	Vice-Chair and Chair of the Panel
	Lawrence Haber	Commissioner
	Heather Zordel	Commissioner
Appearances:	Cullen Price Alexandra Matushenko Kai Olson Ryan Lapensee	For Staff of the Commission
	Paul H. Le Vay Ben Kates	For The Toronto-Dominion Bank

ORAL REASONS FOR APPROVAL OF SETTLEMENT

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

[1] This is a hearing to consider a settlement agreement entered into by The Toronto-Dominion Bank (**TD**) with Staff of the Ontario Securities Commission (**Staff**), dated August 23, 2019 (the **Settlement Agreement**) regarding allegations described in the Statement of Allegations, dated August 26, 2019.

[2] Staff alleges that TD, over a period of at least three years, from 2011 to 2013 (the **Material Time**), failed to have sufficient supervision and controls in its FX trading business. In addition, Staff alleges that TD did not promote a culture of compliance in its FX trading business during the Material Time, which allowed FX traders to behave in a manner which put TD's economic interests ahead of the interests of its customers, other market participants and the integrity of the capital markets. I refer to these circumstances as the "Supervisory Inadequacies".

[3] Staff further alleges that the Supervisory Inadequacies allowed TD's FX traders to inappropriately share confidential customer information with its competitors' FX traders through electronic chat rooms on a regular basis during the Material Time.

[4] In the Statement of Allegations, Staff alleges that this conduct was contrary to the public interest.

[5] Staff and TD have entered into a settlement agreement in which the facts underlying these allegations have been acknowledged and agreed to by TD. TD also acknowledges and admits that this conduct was contrary to the public interest. As a result, TD failed to meet the high standards of conduct expected of a market participant, which potentially put its customers at risk.

[6] The Settlement Agreement is the result of extensive negotiations between Staff and TD, and the Commission affords significant deference to negotiated agreements reached by parties. As such, the Panel's consideration of the settlement before us is based only on the facts described by Staff and Staff's conclusions as set out in the Settlement Agreement, as agreed to by TD. However, we must still be satisfied that the measures called for in the Settlement Agreement are within a reasonable range and in the public interest.

[7] This Panel had the opportunity to meet with Staff and counsel for TD in a confidential settlement conference. We reviewed the proposed settlement agreement and heard submissions from Staff and TD. We have also heard submissions from Staff and TD at today's hearing.

[8] The role of the Panel in reviewing a settlement agreement is to determine whether the terms of the settlement as a whole are fair and reasonable in the circumstances and whether the approval of the settlement is in the public interest. In making a determination of what is in the public interest, the Panel must have regard to the purposes of the *Securities Act*[1], described in section 1.1, namely, to provide protection to investors from unfair, improper or fraudulent practices, to foster fair and efficient capital markets and confidence in capital markets and to contribute to the stability of the financial system and the reduction of systemic risk.

[9] The Panel ultimately finds that it is in the public interest to approve the Settlement Agreement between Staff and TD.

[10] In determining that it is in the public interest to approve the Settlement Agreement, we consider the following factors to be particularly relevant:

a. TD has, since the Material Time, engaged in significant continuing compliance remediation efforts, including (i) the introduction of new procedures, (ii) adoption of the FX Global Code (the **Code**), (iii) implementation of a training program with respect to the requirements of the Code, (iv) engagement of a third party consultant to review TD's Market Abuse Monitoring Controls, resulting in enhancements to its global surveillance system, and (v) in 2018, its conduct of an assessment of its existing control environments in relation to the Code;

b. TD's Internal Audit Group will conduct an internal audit of its compliance with the Code and related practices and procedures, including provisions related to the disclosure of confidential customer information in its global FX business, and TD will institute any necessary changes in accordance with a process appended to the Settlement Agreement;

c. TD has made a voluntary payment of $9,300,900 to the Commission for the benefit of third parties or for investor education and has paid $800,000 to reimburse the Commission for costs incurred; and

d. TD provided exemplary cooperation to Staff in its investigation and with respect to the completion of the settlement agreement, especially in relation to the handling of the very large amounts of data reviewed by Staff. Notably, this level of cooperation resulted in a 30% reduction in the voluntary payment sought by Staff. The calculation itself, appended to the Settlement Agreement, reflects a significant amount of transparency regarding the calculation of the voluntary payment to be made by TD.

[11] For all the reasons stated above, this Panel finds that it is in the public interest to approve the Settlement Agreement. We will issue an order substantially in the form of the order in Schedule "A" to the Settlement Agreement.

Dated at Toronto this 30th day of August, 2019.

"D. Grant Vingoe"
D. Grant Vingoe

"Lawrence P. Haber"
Lawrence P. Haber

"Heather Zordel"
Heather Zordel

[1] RSO 1990, c S.5

3.1.2 Royal Bank of Canada – ss. 127, 127.1

Citation: *Royal Bank of Canada (Re)*, 2019 ONSEC 30
Date: 2019-08-30
File No. 2019-32

IN THE MATTER OF ROYAL BANK OF CANADA

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

Hearing:	August 30, 2019	
Decision:	August 30, 2019	
Panel:	D. Grant Vingoe	Vice-Chair and Chair of the Panel
	Lawrence Haber	Commissioner
	Heather Zordel	Commissioner
Appearances:	Cullen Price Alexandra Matushenko Kai Olson Ryan Lapensee	For Staff of the Commission
	Lawrence E. Ritchie Robert Carson Mark Sheeley Andrew Basso	For Royal Bank of Canada

ORAL REASONS FOR APPROVAL OF SETTLEMENT

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

[1] This is a hearing to consider a settlement agreement entered into by Royal Bank of Canada (**RBC**) with Staff of the Ontario Securities Commission (**Staff**), dated August 23, 2019 (the **Settlement Agreement**) regarding allegations described in the Statement of Allegations, dated August 26, 2019.

[2] Staff alleges that RBC, over a period of at least three years, from 2011 to 2013 (the **Material Time**), failed to have sufficient supervision and controls in its FX trading business. In addition, Staff alleges that RBC did not promote a culture of compliance in its FX trading business during the Material Time, which allowed FX traders to behave in a manner which put RBC's economic interests ahead of the interests of its customers, other market participants and the integrity of the capital markets. I refer to these circumstances as the "Supervisory Inadequacies".

[3] Staff further alleges that the Supervisory Inadequacies allowed RBC's FX traders to inappropriately share confidential customer information with its competitors' FX traders through electronic chat rooms on a regular basis during the Material Time.

[4] In the Statement of Allegations, Staff alleges that this conduct was contrary to the public interest.

[5] Staff and RBC have entered into a settlement agreement in which the facts underlying these allegations have been acknowledged and agreed to by RBC. RBC also acknowledges and admits that this conduct was contrary to the public interest. As a result, RBC failed to meet the high standards of conduct expected of a market participant, which potentially put its customers at risk.

[6] The Settlement Agreement is the result of extensive negotiations between Staff and RBC, and the Commission affords significant deference to negotiated agreements reached by parties. As such, the Panel's consideration of the settlement before us is based only on the facts described by Staff and Staff's conclusions as set out in the Settlement Agreement, as agreed to by RBC. However, we must be satisfied that the measures called for in the Settlement Agreement are within a reasonable range and in the public interest.

[7] This Panel had the opportunity to meet with Staff and counsel for RBC in a confidential settlement conference. We reviewed the proposed settlement agreement and heard submissions from Staff and RBC. We have also heard submissions from Staff and RBC at today's hearing.

[8] The role of the Panel in reviewing a settlement agreement is to determine whether the terms of the settlement as a whole are fair and reasonable in the circumstances and whether the approval of the settlement is in the public interest. In making a determination of what is in the public interest, the Panel must have regard to the purposes of the *Securities Act*[1], described in section 1.1, namely, to provide protection to investors from unfair, improper or fraudulent practices, to foster fair and efficient capital markets and confidence in capital markets and to contribute to the stability of the financial system and the reduction of systemic risk.

[9] The Panel ultimately finds that it is in the public interest to approve the Settlement Agreement between Staff and RBC.

[10] In determining that it is in the public interest to approve the Settlement Agreement, we consider the following factors to be particularly relevant:

a. RBC has, since the Material Time, engaged in significant continuing compliance remediation efforts by enhancing its system of supervision and controls over its FX trading business, including (i) prohibiting, shutting down, and disabling multi-dealer chatrooms, (ii) adoption of the FX Global Code (the **Code**), (iii) developing and implementing a training program on the requirements of an FX Global Policy, and (iv) enhancing electronic communication surveillance and first line of defence supervision and controls;

b. RBC's Internal Audit Group will conduct an internal audit of its compliance with the Code and related practices and procedures, including provisions related to the disclosure of confidential customer information in its global FX business, and RBC will institute any necessary changes in accordance with a process appended to the Settlement Agreement;

c. RBC has made a voluntary payment of $13,552,000 to the Commission for the benefit of third parties or for investor education and has paid $800,000 to reimburse the Commission for costs incurred; and

d. RBC provided cooperation to Staff in its investigation and with respect to the completion of the settlement agreement. This level of cooperation and early settlement during the investigation resulted in a 12% reduction in the voluntary payment sought by Staff. The calculation itself, appended to the Settlement Agreement, reflects a significant amount of transparency regarding the calculation of the voluntary payment to be made by RBC.

[11] For all the reasons stated above, this Panel finds that it is in the public interest to approve the Settlement Agreement. We will issue an order substantially in the form of the order in Schedule "A" to the Settlement Agreement.

Dated at Toronto this 30th day of August, 2019.

"D. Grant Vingoe"
D. Grant Vingoe

"Lawrence P. Haber"
Lawrence P. Haber

"Heather Zordel"
Heather Zordel

[1] RSO 1990, c S.5

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
DMG Blockchain Solutions Inc.	February 1, 2019	August 28, 2019

4.2.1 Temporary, Permanent & Rescinding Management Cease Trading Orders

Company Name	Date of Order	Date of Lapse
THERE IS NOTHING TO REPORT THIS WEEK.		

4.2.2 Outstanding Management & Insider Cease Trading Orders

Company Name	Date of Order or Temporary Order	Date of Hearing	Date of Permanent Order	Date of Lapse/ Expire	Date of Issuer Temporary Order
Performance Sports Group Ltd.	19 October 2016	31 October 2016	31 October 2016		

Company Name	Date of Order	Date of Lapse
Beleave Inc.	06 August 2019	
CannTrust Holdings Inc.	15 August 2019	
Peeks Social Ltd.	04 July 2019	
BetterU Education Corp.	02 August 2019	

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Chapter 6

Request for Comments

6.1.1 CSA Notice and Request for Comment – Proposed Amendments to National Instrument 51-102 Continuous Disclosure Obligations and Changes to Certain Policies Related to the Business Acquisition Report Requirements

CSA/ACVM Canadian Securities Administrators Autorités canadiennes en valeurs mobilières

CSA Notice and Request for Comment

Proposed Amendments to National Instrument 51-102 *Continuous Disclosure Obligations* and Changes to Certain Policies Related to the Business Acquisition Report Requirements

September 5, 2019

PART 1 – Introduction

The Canadian Securities Administrators (**CSA** or **we**) are publishing for a 90-day comment period, proposed amendments and changes to:

- National Instrument 51-102 *Continuous Disclosure Obligations* (**NI 51-102**);
- Companion Policy 51-102CP *Continuous Disclosure Obligations* (**Companion Policy 51-102CP**);
- Companion Policy 41-101CP to National Instrument 41-101 *General Prospectus Requirements* (**Companion Policy 41-101CP**);
- Companion Policy 44-101CP to National Instrument 44-101 *Short Form Prospectus Distributions* (**Companion Policy 44-101CP**);

(the **Proposed Amendments**).

We are issuing this Notice to solicit your comments on the Proposed Amendments.

The public comment period expires on December 4, 2019.

The text of the Proposed Amendments is published with this notice in the following annexes:

- Annex A – Proposed Amendments to NI 51-102
- Annex B – Proposed Changes to Companion Policy 51-102CP
- Annex C – Proposed Changes to Companion Policy 41-101CP
- Annex D – Proposed Changes to Companion Policy 44-101CP
- Annex E – Local Matters

This Notice is also available, as applicable, on the following websites of CSA jurisdictions:

www.lautorite.qc.ca
www.bcsc.bc.ca
www.albertasecurities.com
www.osc.gov.on.ca

nssc.novascotia.ca
www.fcaa.gov.sk.ca
www.fcnb.ca
www.mbsecurities.ca

PART 2 – Substance and Purpose

A reporting issuer that is not an investment fund is required to file a business acquisition report (**BAR**) after completing a significant acquisition. Part 8 of NI 51-102 sets out three significance tests: the asset test, the investment test and the profit or loss test. An acquisition of a business or related businesses is a significant acquisition that requires the filing of a BAR under Part 8 of NI 51-102:

- for a reporting issuer that is not a venture issuer, if the result from any one of the three significance tests exceeds 20%;
- for a venture issuer, if the result of either the asset test or investment test exceeds 100%

(collectively, the **BAR requirements**).

The BAR requirements were introduced in 2004[1] to provide investors with relatively timely access to historical financial information on a significant acquisition. They also require a reporting issuer that is not a venture issuer to prepare and file pro forma financial statements.

We have received feedback that in some cases the significance tests may produce anomalous results, that preparation of a BAR entails significant time and cost, and that the information necessary to comply with the BAR requirements may, in some instances, be difficult to obtain. In addition, some reporting issuers have applied for, and in appropriate circumstances were granted, exemptive relief from certain of the BAR requirements.

The Proposed Amendments are aimed at reducing the regulatory burden imposed by the BAR requirements in certain instances, without compromising investor protection.

PART 3 – Background

The Proposed Amendments are informed by comment letters and other stakeholder feedback received respecting the BAR requirements in response to CSA Consultation Paper 51-404 *Considerations for Reducing Regulatory Burden for Non-Investment Fund Reporting Issuers*. The comment letters were summarized in CSA Staff Notice 51-353 *Update on CSA Consultation Paper 51-404 Considerations for Reducing Regulatory Burden for Non-Investment Fund Reporting Issuers*.

Comments received reflected a wide range of suggestions, such as eliminating the BAR requirements entirely, reconsidering certain aspects of the significance tests (definitional and thresholds) and the relevance of pro forma financial statements. Many commenters supported increasing the significance test threshold for reporting issuers that are not venture issuers for reasons including that BAR disclosure is of limited value to investors particularly given its lack of timeliness, the cost of preparation and the fact that it can impede the completion of a transaction. Specific criticism was expressed relating to the profit or loss test for reasons including that the test often produces anomalous results when compared to the asset test or investment test.

Other commenters indicated that the BAR contains relevant information that may not be provided elsewhere. Commenters noted that not all historical financial information, pertaining to the acquired business that is provided in a BAR, is available in the issuer's other disclosure documents. In addition, the identifiable assets acquired and the liabilities assumed are initially recognized at their acquisition-date fair values in the reporting issuer's financial statements.

Based on the feedback noted above and the number of applications for exemptive relief from the BAR requirements considered by CSA staff, it appears that the current BAR requirements may in certain instances impose burden on reporting issuers without providing investors with the associated benefit of relevant information for their decision-making purposes. The Proposed Amendments are also meant to address this issue.

[1] Certain aspects of these requirements were subsequently amended in 2015 as they apply to venture issuers.

PART 4 – Summary of the Proposed Amendments

The Proposed Amendments:

- alter the determination of significance for reporting issuers that are not venture issuers such that an acquisition of a business or related businesses is a significant acquisition only if at least two of the existing significance tests are triggered; and

- increase the significance test threshold for reporting issuers that are not venture issuers from 20% to 30%.

The proposed two-trigger test aligns with the consultation feedback to modify the criteria to file a BAR. Our proposal to move towards a two-trigger test was informed by considering the feedback from the consultation and by considering data (including analyzing in each jurisdiction the BARs filed and the BAR relief granted over an approximate three-year period) to assess the impact of this change on a look back basis. Many commenters supported removing the profit or loss test for reasons including that the test often produces anomalous results when compared to the asset test or the investment test. Our analysis of the data indicates that the two-trigger test is more effective in dealing with the anomalous results than most of the other suggestions, such as removing the profit or loss test, introducing a revenue test etc., and captures significant acquisitions.

Additionally, the Proposed Amendments increase the significance test threshold that applies to a reporting issuer that is not a venture issuer. The increase in the significance test threshold from 20% to 30% is consistent with the feedback we received in the consultation to increase the significance thresholds as a way to reduce regulatory burden.

In addition to the Proposed Amendments, we considered other options to alter the BAR requirements, but determined that they either did not align with our policy objectives or that the reduction in burden did not justify a potential significant loss of information to investors.

We are not, at this time, proposing any further changes to the BAR requirements as they relate to venture issuers. The CSA already reduced regulatory burden for venture issuers in 2015 by increasing the significance test threshold from 40% to 100% and by removing the requirement that BARs filed by venture issuers contain pro forma financial statements.

We will continue to monitor international developments, including the recent proposal by the U.S. Securities and Exchange Commission,[2] to further inform our approach to reducing regulatory burden for reporting issuers that are not venture issuers without compromising investor protection.

PART 5 – Request for Comments

We welcome comments on the Proposed Amendments.

Please submit your comments in writing on or before December 4, 2019.

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, Department of Justice and Public Safety, Prince Edward Island
Nova Scotia Securities Commission
Superintendent of Securities, Newfoundland and Labrador
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon Territory
Superintendent of Securities, Nunavut

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

[2] Amendments to Financial Disclosures about Acquired and Disposed Businesses, Release No. 33-10635; 34-85765; IC-33465; File No. S7-05-19.

The Secretary
Ontario Securities Commission
20 Queen Street West
22nd Floor, Box 55
Toronto, Ontario
M5H 3S8
Fax: 416-593-2318
comment@osc.gov.on.ca

Me Philippe Lebel
Corporate Secretary and Executive Director, Legal Affairs
Autorité des marchés financiers
Place de la Cité, tour Cominar
2640, boulevard Laurier, bureau 400
Québec (Québec) G1V 5C1
Fax: 514-864-8381
E-mail: consultation-en-cours@lautorite.qc.ca

Comments Received will be Publicly Available

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 https://lautorite.qc.ca/grand-public 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 6 – Questions

If you have any questions, please contact any of the CSA staff listed below.

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ANNEX A

PROPOSED AMENDMENTS TO NATIONAL INSTRUMENT 51-102 *CONTINUOUS DISCLOSURE OBLIGATIONS*

1. National Instrument 51-102 Continuous Disclosure Obligations is amended by this Instrument.

2. Subsection 8.3(1) is amended by replacing "subsection (3) and subsections 8.10(1) and 8.10(2)" ***with*** "subsection (5) and subsections 8.10(1) and (2)**".**

3. Paragraph 8.3(1)(a) is amended by replacing "any of the three" ***with*** "two or more of the***".***

4. In the following provisions, "20***" is replaced with "***30**":*

(a) paragraph (b) of subsection 8.3(1);

(b) paragraphs (a), (b) and (c) of subsection 8.3(2);

(c) paragraph (b) of subsection 8.3(3);

(d) paragraphs (a), (b) and (c) of subsection 8.3(4).

5. Subsection 8.3(5) is replaced with the following:

"(5) Despite subsection (1) and for the purposes of subsection (3), an acquisition of a business or related businesses is not a significant acquisition,

(a) for a reporting issuer that is not a venture issuer, if the acquisition does not satisfy at least two of the optional significance tests under subsection (4); or

(b) for a venture issuer, if the acquisition does not satisfy the optional significance tests set out in paragraphs (4) (a) and (b) if "30 percent" is read as "100 percent".***"***

6. This Instrument comes into force on ●.

ANNEX B

PROPOSED CHANGES TO COMPANION POLICY 51-102CP CONTINUOUS DISCLOSURE OBLIGATIONS

1. Companion Policy 51-102CP Continuous Disclosure Obligations is changed by this Document.

2. Subsection 8.1(4) is changed by adding the following at the end of the subsection:

"Reporting issuers are reminded that an acquisition may constitute the acquisition of a business for securities legislation purposes, even if the acquired set of activities or assets does not meet the definition of a "business" for accounting purposes.***".***

3. Subsection 8.2(1) is replaced by the following:

***"*8.2 Significance Tests**

(1) Application of Significance Tests – Subsection 8.3(2) of the Instrument sets out the required significance tests for determining whether an acquisition of a business by a reporting issuer is a "significant acquisition". The application of the significance tests depends on the status of the reporting issuer such that if the reporting issuer is:

(a) not a venture issuer, then an acquisition is significant if it satisfies two or more of the significance tests at a 30% threshold; or

(b) a venture issuer, then an acquisition is significant if it satisfies either of the asset or investment test at a 100% threshold.

The test must be applied as at the acquisition date using the most recent audited annual financial statements of the reporting issuer and the business.***".***

4. These changes become effective on ●.

ANNEX C

PROPOSED CHANGES TO
COMPANION POLICY 41-101CP TO NATIONAL INSTRUMENT 41-101 GENERAL PROSPECTUS REQUIREMENTS

1. ***Companion Policy 41-101CP to National Instrument 41-101 General Prospectus Requirements is changed by this Document.***

2. ***Subsection 5.9(5) is changed by replacing the text of the first bullet with:***

"if the indirect acquisition would be considered a significant acquisition under subsection 35.1(4) of Form 41-101F1 if the issuer applies those provisions to its proportionate interest in the indirect acquisition of the business;***".***

3. This change becomes effective on ●.

ANNEX D

PROPOSED CHANGES TO COMPANION POLICY 44-101CP TO NATIONAL INSTRUMENT 44-101 SHORT FORM PROSPECTUS DISTRIBUTIONS

1. Companion Policy 44-101CP to National Instrument 44-101 Short Form Prospectus Distributions is changed by this Document.

2. Subsection 4.9(3) is changed by replacing the text of the first bullet with:

"if the indirect acquisition would be considered a significant acquisition under Part 8 of NI 51-102 if the issuer applies those provisions to its proportionate interest in the indirect acquisition of the business;".

3. This change becomes effective on ●.

ANNEX E

LOCAL MATTERS

ONTARIO SECURITIES COMMISSION

As set out in the main body of this Notice, the CSA are proposing the following amendments and changes:

- proposed amendments to NI 51-102;
- proposed changes to Companion Policy 51-102CP;
- proposed changes to Companion Policy 41-101CP; and
- proposed changes to Companion Policy 44-101CP.

Please refer to the main body of this Notice.

1. Overview

The proposed amendments to NI 51-102 have been informed by comments received in response to CSA Consultation Paper 51-404. They are aimed at reducing the regulatory burden that may be currently imposed by the Business Acquisition Report (**BAR**) requirements in certain instances, without compromising investor protection.

The proposed changes to Companion Policy 51-102CP, Companion Policy 41-101CP and Companion Policy 44-101CP are intended to update those companion policies to reflect the proposed amendments to NI 51-102.

Investor protection is not expected to be compromised, as the proposed amendments will continue to provide investors with timely access to historical financial information of a significant acquisition where appropriate.

2. Affected Stakeholders

2.1 Reporting Issuers

Non-venture reporting issuers will benefit from the proposed amendments because an acquisition of a business or related business(es) will only be considered to be a significant acquisition if at least two of the existing significance tests are triggered at a 30% threshold (i.e., instead of one of the existing significance tests being triggered at a 20% threshold as under the current BAR requirements).

2.2 Investors

The impact of the proposed amendments to NI 51-102 on investors (both institutional and retail), has also been considered. The proposed amendments have been informed by stakeholder comments received as a result of CSA Consultation Paper 51-404, including from investor advocacy groups.

While the proposed amendments are expected to result in fewer BARs being filed overall, we expect that investors will continue to have appropriate, relevant information for purposes of making investment decisions following a significant acquisition. In this regard, we will assess comments received from investors and advocates during the comment letter process on the proposed amendments.

3. Qualitative and Quantitative Analysis of the Anticipated Costs and Benefits of the Proposed Amendments

3.1 Qualitative Analysis

The proposed amendments will amend the current criteria for a non-venture issuer to file a BAR so that an acquisition of a business or related business(es) will be considered a significant acquisition only if at least two of the existing significance tests are triggered at a 30% threshold (i.e., instead of one of the existing significance tests being triggered at a 20% threshold). This will reduce the regulatory burden for issuers since they will no longer have to incur costs associated with:

- complying with BAR requirements and filing a BAR to the extent that the proposed amendments contemplate higher thresholds, and

- filing an application for relief from the BAR requirements in cases where the existing significance tests produce anomalous results.

We are of the view that there will be minimal compliance costs associated with the proposed amendments in the form of time spent by issuers to review and familiarize themselves with new requirements.

3.2 Quantitative Analysis

The tables below set out the estimated cost reductions (subject to the assumptions below) that may arise as a result of the proposed amendments to the BAR requirements in Part 8 of NI 51-102. The estimated cost reductions fall broadly into two categories:

(i) estimated costs associated with filing an application for relief from the BAR requirements (Table 1), and

(ii) estimated costs associated with complying with BAR requirements (i.e., filing a BAR) (Table 2).

As part of our research, we conducted analysis on the following:

(i) historical applications filed by issuers requesting relief from certain requirements of the BAR or from the requirement to file a BAR in its entirety, and

(ii) applying the proposed two-test trigger at a 30% threshold to historical BARs filed.

Based on this analysis and using the estimated cost information in Tables 1 and 2 noted above, we have estimated the cost savings to the issuer of our Proposed Amendments (Tables 3 and 4).

TABLE 1			
	Application for BAR Relief		**Total**
Legal	*Time (# hours)*[1]	*Weighted average hourly costs ($xx/hour)*[2]	
How many hours, on average, is required for legal counsel to prepare, file and engage with regulators and issuer on the application process?	20-30 hours	$312	$6,240-$9,360
Issuer			
How many hours, on average, is required by the issuer's management to assist with the preparation and review of the application, correspondence with the regulators, etc.?	10 hours	$117	$1,170
Auditor			
How many hours, on average, is required by the issuer's auditors to assist or review the application, if any?	6-10 hours	$344	$2,064-$3,440
Regulatory Cost			
Cost of application	N/A	$4,800[3]	$4,800
Total estimated time and costs associated with each relief application	**36-50 hours**		**$14,274-$18,770**

[1] In order to develop an estimate of the number of hours required for an issuer and its advisors to file an application for BAR relief, we have relied on data derived from staff's consultations with a small number of advisors and/or consultants involved in the preparation of the applications for BAR relief.

[2] For the purposes of this analysis, we use weighted average hourly costs to account for the fact that staff of different levels of seniority and skill may be involved in each activity. Thus, the weighted average costs for different activities will depend on the proportion of time spent by staff with

different seniority levels. These estimates are based on information found in published fee surveys and compensation guides subject to certain adjustments (e.g., application of local market adjustments). We consulted the following sources: Canadian Lawyer's 2018 Legal Fees Survey, Robert Half 2018 Salary Guide for Accounting and Finance Professionals, Payscale Compensation Research.

[3] Application fee paid to the OSC in accordance with OSC Rule 13-502 *Fees.*

TABLE 2			
	Filing of BAR		**Totals**
Auditors	*Time(# of hours)*	*Weighted average hourly costs ($xx/hour)*	*Total Estimated Costs*
What is estimated time and cost of preparing audited financial statements to be included in a BAR?	300[4]	$204[5]	$61,200
Issuer			
How many estimated hours are required for the issuer to obtain and/or negotiate with vendor, review, etc. financial statements of the acquired company for inclusion in the BAR?	15-20 hours	$117	$1,755-$2,340
Legal			
How many hours required to assist with filing of the BAR? (may need to include various assumptions: i.e. Counsel involved in negotiating F/S, does counsel have any other involvement in preparation and/or filing of the BAR)?	9-13 hours	$310	$2,790-$4,030
Total estimated time and costs associated with each BAR filing	**324-333 hours**		**$65,745-$67,570**

[4] In order to develop an estimate of the number of hours required for an issuer and its advisors to file a BAR, we have relied on data derived from staff's consultations with a small number of advisors and/or consultants involved in the preparation of the applications for BAR relief. We note that determining the cost of an audit is highly subjective as it depends on a number of factors including the following:

- Size of the audit firm conducting the audit (small, medium, large)
- Whether the acquired company is public or private
- Size of the company
- Complexity of the company
- Complexity of the industry in which the acquired company operates
- Preparation of full historical financial statements vs carve out financial statements (carve out financial statements normally require significantly more audit time)
- Whether it is a first-time audit of the company
- Whether the audit firm has an existing relationship with the issuer/acquired company
- Complexity of the transaction, which may impact preparation of pro-forma financial statements

[5] As outlined in footnote 2, weighted average hourly costs for different activities will depend on the proportion of time spent by staff with different seniority levels. The weighted average cost associated with the preparation of the financial statements is lower than that associated with the preparation of the exemptive relief application because the proportion of time spent by staff with lower seniority on each activity is different.

Estimated Cost Savings

Estimated cost savings to the Issuer of filing an application for BAR relief (based on historical research) (average/year):

TABLE 3			
Number of applications filed requesting relief from filing BAR[6] (average/year)	**Number of applications for relief that would no longer be filed had we applied the proposed two-test trigger at 30% (average/year)**	**Total reduction of time spent on preparing, filing and completing BAR application with regulator**	**Total cost reduction from filing an application for BAR relief. (# of applications that would no longer be filed x average cost of preparing and completing a BAR application – see Table 1 above)**
9	5	180-250 hours	**$71,370-$93,850**

[6] This number is the average annual number of applications filed with the CSA over a three-year period. Regardless of the location of the issuer's head office, issuers must file applications for BAR relief and pay fees in Ontario. Note that the five applications that would no longer need to be filed are those only requesting relief from BAR requirements in their entirety. Other applications may be requesting relief from other requirements of the BAR, including content relief. Assuming that costs would have grown at the average annual Ontario rate of inflation in the most recent 10-year period and applying a 2.5% discount rate, we estimate that approximate cost savings over a 10-year period would range between $680,000 and $890,000.

Estimated cost savings of filing a BAR (based on historical research):

TABLE 4			
Number of BARs filed using the existing triggers in Part 8 of NI 51-102 (average/year)[7]	**Number of BARs that would no longer be filed had we applied the proposed two-test trigger at 30% (average/year)**	**Total reduction of time spent on preparing, filing a BAR (# of BARs that no longer be filed * # hours above)**	**Total cost reduction if the BARs were not filed (# of BARs that would no longer be filed x average cost of preparing a BAR – see Table 2 above)**
56	24	7,992 hours	**$1,577,880-$1,620,000**

[7] This number is the average annual number of BAR filings across the CSA, regardless of head office, over a three-year period. Assuming that costs would have grown at the average annual Ontario rate of inflation in the most recent 10-year period and applying a 2.5% discount rate, we estimate that approximate cost savings over a 10-year period would range between $15,000,000 and $15,400,000.

Rule-making authority

In Ontario, the following provisions of the *Securities Act* (the **Act**) provide the Commission with authority to make the proposed amendments:

Paragraphs 22 and 24 of subsection 143(1) of the Act authorize the Commission to make rules:

- prescribing requirements in respect of the preparation and dissemination and other use, by reporting issuers, of documents providing for continuous disclosure that are in addition to the requirements under the Act, and
- requiring issuers or other persons or companies to comply, in whole or in part, with Part XVIII (Continuous Disclosure), or rules made under paragraph 22 of subsection 143(1) of the Act.

Alternatives Considered

No alternatives to rule-making were considered.

Reliance on Unpublished Studies

In developing the proposed amendments and the proposed changes to the companion policies, we are not relying on any significant unpublished study, report or other written material.

We welcome comments on all aspects of the Proposed Amendments, including the estimated costs associated with filing an application for relief from the BAR requirements and complying with BAR requirements.

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:
BetaPro Marijuana Companies 2x Daily Bull ETF
BetaPro Marijuana Companies Inverse ETF
Principal Regulator - Ontario
Type and Date:
Amendment #1 to Final Long Form Prospectus dated August 27, 2019
Received on August 29, 2019
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
N/A
Project #2831284

Issuer Name:
BetaPro S&P 500 VIX Short-Term Futures ETF (formerly Horizons BetaPro S&P 500 VIX Short-Term Futures ETF)
Principal Regulator - Ontario
Type and Date:
Amendment #1 to Final Long Form Prospectus dated August 27, 2019
Received on August 29, 2019
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
Horizons ETFs Management (Canada) Inc.
Project #2845531

Issuer Name:
Clearpoint Global Dividend Fund
Clearpoint Short Term Income Fund
Principal Regulator - Ontario
Type and Date:
Amendment #3 to Final Simplified Prospectus dated August 28, 2019
Received on August 29, 2019
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
N/A
Project #2866730

Issuer Name:
Counsel International Value
Principal Regulator - Ontario
Type and Date:
Amendment #4 to Final Simplified Prospectus dated August 28, 2019
Received on August 28, 2019
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
N/A
Project #2818942

Issuer Name:
Maple Leaf Short Duration 2019-II Flow-Through Limited Partnership - National Class
Principal Regulator - British Columbia
Type and Date:
Preliminary Long Form Prospectus dated August 26, 2019
NP 11-202 Preliminary Receipt dated August 28, 2019
Offering Price and Description:
Maximum Offering: $10,000,000 - 400,000 Maple Leaf Short Duration 2019-II Flow-Through Limited Partnership – National Class Units
Minimum Offering: 2,500,000 - 100,000 Maple Leaf Short Duration 2019-II Flow-Through Limited Partnership – National Class Units
Price: $25.00 per Unit
Minimum Purchase: $5,000 (200 Units)
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
CIBC World Markets Inc.
National Bank Financial Inc.
BMO Nesbitt Burns Inc.
GMP Securities L.P.
Industrial Alliance Securities Inc.
Canaccord Genuity Corp.
Desjardins Securities Inc.
Echelon on Wealth Partners Inc.
Manulife Securities Incorporated
Raymond James Ltd.
Laurentian Bank Securities Inc.
Promoter(s):
Maple Leaf Short Duration Holdings Ltd.
Maple Leaf short Duration 2019-II Flow-Through Management Corp.
Project #2958381

Issuer Name:
Maple Leaf Short Duration 2019-II Flow-Through Limited Partnership - Quebec Class
Principal Regulator - British Columbia
Type and Date:
Preliminary Long Form Prospectus dated August 26, 2019
NP 11-202 Preliminary Receipt dated August 28, 2019
Offering Price and Description:
Maximum Offering: $15,000,000 - 600,000 Maple Leaf Short Duration 2019-II Flow-Through Limited Partnership – Québec Class Units
Minimum Offering: $2,500,000 -100,000 Maple Leaf Short Duration 2019-II Flow-Through Limited Partnership – Québec Class Units
Price: $25.00 per Unit
Minimum Purchase: $5,000 (200 Units)
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
CIBC World Markets Inc.
National Bank Financial Inc.
BMO Nesbitt Burns Inc.
GMP Securities L.P.
Industrial Alliance Securities Inc.
Canaccord Genuity Corp.
Desjardins Securities Inc.
Echelon on Wealth Partners Inc.
Manulife Securities Incorporated
Raymond James Ltd.
Laurentian Bank Securities Inc.
Promoter(s):
Maple Leaf Short Duration Holdings Ltd.
Maple Leaf short Duration 2019-II Flow-Through Management Corp.
Project #2958390

Issuer Name:
Ninepoint 2019 Short Duration Flow-Through Limited Partnership
Principal Regulator - Ontario
Type and Date:
Preliminary Long Form Prospectus dated August 26, 2019
NP 11-202 Preliminary Receipt dated August 27, 2019
Offering Price and Description:
Maximum: $20,000,000 - 800,000 Limited Partnership Units
Minimum: $5,000,000 - 200,000 Limited Partnership Units
Price per Unit: $25
Minimum Subscription: $2,500 (100 Units)
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
CIBC World Markets Inc.
TD Securities Inc.
National Bank Financial Inc.
Scotia Capital Inc.
BMO Nesbitt Burns Inc.
GMP Securities L.P.
Industrial Alliance Securities Inc.
Manulife Securities Incorporated
Raymond James Ltd.
Canaccord Genuity Corp.
Desjardins Securities Inc.
Echelon Wealth Partners Inc.
Promoter(s):
Ninepoint 2019 Corporation
Project #2957358

Issuer Name:
Probity Mining 2019-II Short Duration Flow-Through Limited Partnership - British Columbia Class
Principal Regulator - British Columbia
Type and Date:
Preliminary Long Form Prospectus dated August 29, 2019
NP 11-202 Preliminary Receipt dated August 29, 2019
Offering Price and Description:
Maximum Offering: aggregate of $30,000,000 comprising $20,000,000 for National Class Units; $5,000,000 for British Columbia Class Units; and $5,000,000 for Québec Class Units
(2,000,000 NC-A and/or NC-F Units; 500,000 BC-A and/or BC-F Units; and 500,000 QC-A and/or QC-F Units)
Minimum Offering: $1,500,000 - 150,000 Class A and/or Class F Units
Price per Unit: $10.00
Minimum Purchase: $5,000 - 500 Units
Underwriter(s) or Distributor(s):
Industrial Alliance Securities Inc
GMP Securities L.P.
Canaccord Genuity Corp.
Raymond James Ltd.
Echelon Wealth Partners Inc.
PI Financial Corp.
Hampton Securities Limited
Laurentian Bank Securities Inc.
Promoter(s):
Probity 2019-II Mining Flow Through Management Corp and Probity Capital
Project #2961538

Issuer Name:
Probity Mining 2019-II Short Duration Flow-Through Limited Partnership - National Class
Principal Regulator - British Columbia
Type and Date:
Preliminary Long Form Prospectus dated August 29, 2019
NP 11-202 Preliminary Receipt dated August 29, 2019
Offering Price and Description:
Maximum Offering: aggregate of $30,000,000 comprising $20,000,000 for National Class Units; $5,000,000 for British Columbia Class Units; and $5,000,000 for Québec Class Units
(2,000,000 NC-A and/or NC-F Units; 500,000 BC-A and/or BC-F Units; and 500,000 QC-A and/or QC-F Units)
Minimum Offering: $1,500,000 - 150,000 Class A and/or Class F Units
Price per Unit: $10.00
Minimum Purchase: $5,000 - 500 Units
Underwriter(s) or Distributor(s):
Industrial Alliance Securities Inc
GMP Securities L.P.
Canaccord Genuity Corp.
Raymond James Ltd.
Echelon Wealth Partners Inc.
PI Financial Corp.
Hampton Securities Limited
Laurentian Bank Securities Inc.
Promoter(s):
Probity 2019-II Mining Flow Through Management Corp and Probity Capital Corporation
Project #2961577

Issuer Name:
Probity Mining 2019-II Short Duration Flow-Through Limited Partnership - Quebec Class
Principal Regulator - British Columbia
Type and Date:
Preliminary Long Form Prospectus dated August 29, 2019
NP 11-202 Preliminary Receipt dated August 29, 2019
Offering Price and Description:
Maximum Offering: aggregate of $30,000,000 comprising $20,000,000 for National Class Units; $5,000,000 for British Columbia Class Units; and $5,000,000 for Québec Class Units
(2,000,000 NC-A and/or NC-F Units; 500,000 BC-A and/or BC-F Units; and 500,000 QC-A and/or QC-F Units)
Minimum Offering: $1,500,000 - 150,000 Class A and/or Class F Units
Price per Unit: $10.00
Minimum Purchase: $5,000 - 500 Units
Underwriter(s) or Distributor(s):
Industrial Alliance Securities Inc
GMP Securities L.P.
Canaccord Genuity Corp.
Raymond James Ltd.
Echelon Wealth Partners Inc.
PI Financial Corp.
Hampton Securities Limited
Laurentian Bank Securities Inc.
Promoter(s):
Probity 2019-II Mining Flow Through Management Corp. and Probity Capital Corporation
Project #2961607

Issuer Name:
Purpose Behavioural Opportunities Fund
Purpose Pension Portfolio Fund
Purpose US Preferred Share Fund
Purpose Emerging Markets Dividend Fund
Purpose Energy Credit Fund
Principal Regulator - Ontario
Type and Date:
Amendment to Final Annual Information Form dated August 30, 2019
Received on August 30, 2019
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
Purpose Investments Inc.
Project #2823273

Issuer Name:
HSBC Canadian Money Market Fund
HSBC U.S. Dollar Money Market Fund
HSBC Mortgage Fund
HSBC Canadian Bond Fund
HSBC Global Corporate Bond Fund
HSBC Emerging Markets Debt Fund
HSBC Monthly Income Fund
HSBC U.S. Dollar Monthly Income Fund
HSBC Canadian Balanced Fund
HSBC Dividend Fund
HSBC Equity Fund
HSBC Small Cap Growth Fund
HSBC Global Equity Fund
HSBC Global Equity Volatility Focused Fund
HSBC U.S. Equity Fund
HSBC European Fund
HSBC AsiaPacific Fund
HSBC Chinese Equity Fund
HSBC Indian Equity Fund
HSBC Emerging Markets Fund
HSBC BRIC Equity Fund
HSBC World Selection Diversified Conservative Fund
HSBC World Selection Diversified Moderate Conservative Fund
HSBC World Selection Diversified Balanced Fund
HSBC World Selection Diversified Growth Fund
HSBC World Selection Diversified Aggressive Growth Fund
HSBC Wealth Compass Conservative Fund
HSBC Wealth Compass Moderate Conservative Fund
HSBC Wealth Compass Balanced Fund
HSBC Wealth Compass Growth Fund
HSBC Wealth Compass Aggressive Growth Fund
Principal Regulator - British Columbia
Type and Date:
Amendment #3 to Final Simplified Prospectus dated August 9, 2019
NP 11-202 Receipt dated August 27, 2019
Offering Price and Description:
Investor Series, Advisor Series, Premium Series, Manager Series and Institutional Series units
Underwriter(s) or Distributor(s):
HSBC Investment Funds (Canada) Inc.
Promoter(s):
HSBC Global Asset Management (Canada) Limited
Project #2838065

Issuer Name:
Purpose Credit Opportunities Fund
Principal Regulator – Ontario
Type and Date:
Preliminary Simplified Prospectus dated Aug 28, 2019
NP 11-202 Final Receipt dated Aug 30, 2019
Offering Price and Description:
Series A units, Series I units and Series F units
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
N/A
Project #2939848

Issuer Name:
AGFiQ US Long/Short Dividend Income CAD-Hedged Fund
Principal Regulator – Ontario
Type and Date:
Preliminary Simplified Prospectus dated Aug 27, 2019
NP 11-202 Final Receipt dated Aug 28, 2019
Offering Price and Description:
Series V, Series F, Mutual Fund Series, Series O, Series T. Series I and Series FV
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
N/A
Project #2940822

Issuer Name:
AGFiQ US Long/Short Dividend Income CAD-Hedged ETF
AGFiQ US Market Neutral Anti-Beta CAD-Hedged ETF
Principal Regulator – Ontario
Type and Date:
Preliminary Long Form Prospectus dated Aug 27, 2019
NP 11-202 Final Receipt dated Aug 28, 2019
Offering Price and Description:
units
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
N/A
Project #2940823

Issuer Name:
Fidelity Canadian High Dividend Index ETF
Fidelity Canadian High Quality Index ETF
Fidelity Canadian Low Volatility Index ETF
Fidelity Canadian Short Term Corporate Bond ETF
Fidelity Fundamental High Yield Currency Neutral ETF
Fidelity Fundamental High Yield ETF
Fidelity Global Core Plus ETF
Fidelity International High Dividend Index ETF
Fidelity International High Quality Index ETF
Fidelity International Low Volatility Index ETF
Fidelity Sustainable World ETF
Fidelity Systematic Canadian Bond Index ETF
Fidelity U.S. Dividend for Rising Rates Currency Neutral Index ETF
Fidelity U.S. Dividend for Rising Rates Index ETF
Fidelity U.S. High Dividend Currency Neutral Index ETF
Fidelity U.S. High Dividend Index ETF
Fidelity U.S. High Quality Currency Neutral Index ETF
Fidelity U.S. High Quality Index ETF
Fidelity U.S. Low Volatility Currency Neutral Index ETF
Fidelity U.S. Low Volatility Index ETF
Principal Regulator – Ontario
Type and Date:
Combined Preliminary and Pro Forma Long Form Prospectus dated Aug 28, 2019
NP 11-202 Final Receipt dated Aug 29, 2019
Offering Price and Description:
Series L units
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
N/A
Project #2941765

Issuer Name:
imaxx Canadian Bond Fund
imaxx Canadian Dividend Plus Fund
imaxx Canadian Fixed Pay Fund
imaxx Equity Growth Fund
imaxx Global Fixed Pay Fund (formerly imaxx Global Equity Growth Fund)
imaxx Short Term Bond Fund
Principal Regulator – Ontario
Type and Date:
Amendment #2 to Final Simplified Prospectus dated August 26, 2019
NP 11-202 Final Receipt dated Aug 28, 2019
Offering Price and Description:
A0 Class Units, A5 Class Units, F4 Class Units, F0 Class Units, F2 Class Units, A3 Class Units, F Class Units, A0, A Class Units, A2 Class Units, F5 Class Units, A4 Class Units and F3 Class Units
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
N/A
Project #2902907

NON-INVESTMENT FUNDS

Issuer Name:
AgraFlora Organics International Inc.
Principal Regulator - British Columbia
Type and Date:
Preliminary Short Form Prospectus dated August 29, 2019
Received on August 29, 2019
Offering Price and Description:
$*.** - * COMMON SHARES
Price: C$*.** PER COMMON SHARE
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2963502

Issuer Name:
Aphelion Capital Corp.
Principal Regulator - British Columbia
Type and Date:
Preliminary CPC Prospectus dated August 29, 2019
Received on August 29, 2019
Offering Price and Description:
Minimum Offering: $200,000.00 or 2,000,000 Common Shares
Maximum Offering: $500,000.00 or 5,000,000 Common Shares
Price: C$0.10 per Common Share
Underwriter(s) or Distributor(s):
Canaccord Genuity Corp.
Promoter(s):
Zayn Kalyan
Project #2962556

Issuer Name:
Cominar Real Estate Investment Trust
Principal Regulator - Quebec
Type and Date:
Preliminary Shelf Prospectus dated August 28, 2019
NP 11-202 Preliminary Receipt dated August 28, 2019
Offering Price and Description:
$1,500,000,000.00 - Units, Debt Securities, Warrants, Subscription Receipts
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2959444

Issuer Name:
Evergold Corp.
Principal Regulator - Ontario
Type and Date:
Amended and Restated Preliminary Long Form Prospectus dated August 28, 2019
NP 11-202 Preliminary Receipt dated August 30, 2019
Offering Price and Description:
Minimum Public Offering of 13,304,370 Offered Units for Gross Proceeds of $2,660,874.00
Maximum Public Offering of 15,000,000 Offered Units for Gross Proceeds of $3,000,000.00
Price: $0.20 per Unit
Underwriter(s) or Distributor(s):
Leede Jones Gable Inc.
Promoter(s):
Kevin M. Keough
Charles J. Greig
P. Alexander Walcott
Project #2939482

Issuer Name:
FAX Capital Corp.
Principal Regulator - Ontario
Type and Date:
Preliminary Long Form Prospectus dated August 28, 2019
NP 11-202 Preliminary Receipt dated August 29, 2019
Offering Price and Description:
Minimum: $25,000,000.00 of Units
Maximum: $150,000,000.00 of Units
Price: $[*.**] Per Unit
Minimum Purchase: [*] Units
Underwriter(s) or Distributor(s):
CIBC WORLD MARKETS INC.
NATIONAL BANK FINANCIAL INC.
BMO NESBITT BURNS INC.
SCOTIA CAPITAL INC.
TD SECURITIES INC.
CANACCORD GENUITY CORP.
INDUSTRIAL ALLIANCE SECURITIES INC.
RAYMOND JAMES LTD.
RICHARDSON GMP LIMITED
DESJARDINS SECURITIES INC.
MANULIFE SECURITIES INCORPORATED
CORMARK SECURITIES INC.
ECHELON WEALTH PARTNERS INC.
INFOR FINANCIAL INC.
Promoter(s):
FAX INVESTMENTS INC.
Project #2961428

Issuer Name:
InnoCan Pharma Corporation
Principal Regulator - Alberta
Type and Date:
Amended and Restated Preliminary Long Form Prospectus dated August 30, 2019
NP 11-202 Preliminary Receipt dated August 29, 2019
Offering Price and Description:
A minimum of C$910,000.00 and a maximum of C$1,100,000.00 - A minimum of 5,055,556 and a maximum of 6,111,112 Units
Price: C$0.18 per Unit
Underwriter(s) or Distributor(s):
Leede Jones Gable Inc.
Promoter(s):
-
Project #2926788

Issuer Name:
Loblaw Companies Limited
Principal Regulator - Ontario
Type and Date:
Preliminary Shelf Prospectus dated August 30, 2019
NP 11-202 Preliminary Receipt dated August 30, 2019
Offering Price and Description:
$2,000,000,000.00 - Debentures (unsecured), Second Preferred Shares, Common Shares
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2963827

Issuer Name:
Neurocords Corporation
Principal Regulator - Alberta
Type and Date:
Amended and Restated Preliminary Long Form Prospectus dated August 27, 2019
NP 11-202 Preliminary Receipt dated August 27, 2019
Offering Price and Description:
A minimum of CAD$1,500,000.00 and a maximum of CAD$2,000,000.00
A minimum of 10,000,000 and a maximum of 13,333,334 Units
Price: C$0.15 per Unit
Underwriter(s) or Distributor(s):
Leede Jones Gable Inc.
Promoter(s):
Dr. Irit Arbel
Eran Gilboa
Ariel Malik
Project #2922532

Issuer Name:
TransAlta Renewables Inc.
Principal Regulator - Alberta
Type and Date:
Preliminary Shelf Prospectus dated August 26, 2019
NP 11-202 Preliminary Receipt dated August 27, 2019
Offering Price and Description:
$1,000,000,000.00 - Common Shares, Preferred Shares, Warrants, Subscription Receipts, Debt Securities
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2956772

Issuer Name:
TransCanada Trust
Principal Regulator - Alberta
Type and Date:
Amended and Restated Final Short Form Prospectus dated August 27, 2019
Received on August 27, 2019
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2946679

Issuer Name:
Wikileaf Technologies Inc.
Principal Regulator - Ontario
Type and Date:
Amended and Restated Preliminary Long Form Prospectus dated August 30, 2019
NP 11-202 Preliminary Receipt dated August 30, 2019
Offering Price and Description:
No securities are being offered pursuant to this non-offering amended and restated preliminary prospectus (the "Prospectus").
Underwriter(s) or Distributor(s):
-
Promoter(s):
Daniel Nelson
Manoj Hippola
Charles Rifici
Project #2922728

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Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
Voluntary Surrender	INTL FCStone Financial Inc.	Exempt Market Dealer	August 29, 2019
Voluntary Surrender	RCM Partners Inc.	Portfolio Manager, Exempt Market Dealer and Investment Fund Manager	August 29, 2019
New Registration	Rally Assets Inc.	Portfolio Manager	August 30, 2019
New Registration	Sygnet Capital Inc.	Portfolio Manager	September 3, 2019

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Chapter 13

SROs, Marketplaces, Clearing Agencies and Trade Repositories

13.1 SROs

13.1.1 IIROC – Proposed Amendments Respecting Non-Clients – Request for Comment

REQUEST FOR COMMENT

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA (IIROC)

PROPOSED AMENDMENTS RESPECTING NON-CLIENTS

IIROC is publishing for public comment proposed amendments to the Universal Market Integrity Rules and the IIROC Rules respecting non-clients (**Proposed Amendments**). The Proposed Amendments would:

- replace the definition of a "non-client order" or "non-client account" with new definitions of "Dealer Related Person order" and "Dealer Related Person account"
- introduce a new definition of "Dealer Member account".

The purpose of the Proposed Amendments is to clarify and update the definition of a "non-client order" or "non-client account", as well as improve consistency between the Universal Market Integrity Rules and IIROC Rules.

A copy of the IIROC Notice, including the Proposed Amendments, is published on our website at www.osc.gov.on.ca. The comment period ends on December 4, 2019.

13.2 Marketplaces

13.2.1 Financial & Risk Transaction Services Ireland Limited – Application for Exemptive Relief – Notice of Commission Order

IN THE MATTER OF FINANCIAL & RISK TRANSACTION SERVICES IRELAND LIMITED

APPLICATION FOR EXEMPTIVE RELIEF

NOTICE OF COMMISSION ORDER

On August 30, 2019, the Commission issued an order (the **Order**) to Financial & Risk Transaction Services Ireland Limited (the **Applicant**) pursuant to section 147 of the *Securities Act* (Ontario) (**OSA**) exempting the Applicant's Multilateral Trading Facility from the requirement to be recognized as an exchange under section 21 of the OSA.
A copy of the Order is published in Chapter 2 of this Bulletin.

The Commission published the Applicant's application and draft exemption order for comment on July 25, 2019 on the OSC website at www.osc.gov.on.ca and provided notice of the application and order in the OSC Bulletin. No comments were received and no changes were made to the draft exemption order.

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