The Ontario Securities Commission

OSC Bulletin

July 17, 2014

Volume 37, Issue 29

(2014), 37 OSCB

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

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Published under the authority of the Commission by:
Carswell, a Thomson Reuters business
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Toronto, Ontario
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Subscriptions are available from Carswell at the price of $773 per year.

Subscription prices include first class postage to Canadian addresses. Outside Canada, these airmail postage charges apply on a current subscription:

U.S.	$175
Outside North America	$400

Single issues of the printed Bulletin are available at $20 per copy as long as supplies are available.

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ISSN 0226-9325
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Canadian Securities Administrators | Autorités canadiennes en valeurs mobilières

CSA Staff Notice 51-341
Continuous Disclosure Review Program Activities for the fiscal year ended March 31, 2014

July 17, 2014

Introduction

This notice contains the results of the reviews conducted by the Canadian Securities Administrators (**CSA**) within the scope of their Continuous Disclosure (**CD**) Review Program. This program was established to review the compliance of the CD documents of reporting issuers[1] (**issuers**) to ensure they are reliable and accurate. The CSA seek to ensure that Canadian investors receive high quality disclosure from issuers.

In this notice, we summarize the results of the CD Review Program for the fiscal year ended March 31, 2014 (**fiscal 2014**). To raise awareness about the importance of filing compliant CD documents, we also discuss certain areas where common deficiencies were noted and provide examples to help issuers address these deficiencies in the following appendices:

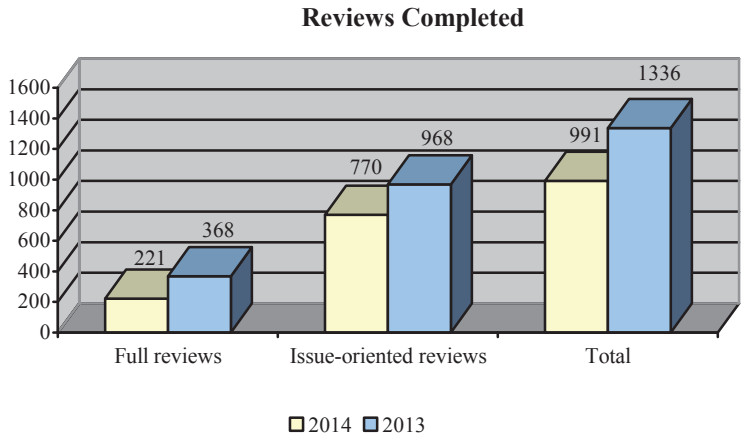
- Appendix A – Financial Statement Deficiencies
- Appendix B – Management's Discussion and Analysis (**MD&A**) Deficiencies
- Appendix C – Other Regulatory Disclosure Deficiencies

For further details on the CD Review Program, see CSA Staff Notice 51-312 (revised) *Harmonized Continuous Disclosure Review Program*.

Results for Fiscal 2014

CD Activity Levels

During fiscal 2014, a total of 991 reviews (221 full reviews and 770 issue oriented reviews (**IOR**)) were conducted. This is a 26% decrease from the 1,336 CD reviews (368 full reviews and 968 IORs) completed during fiscal 2013.



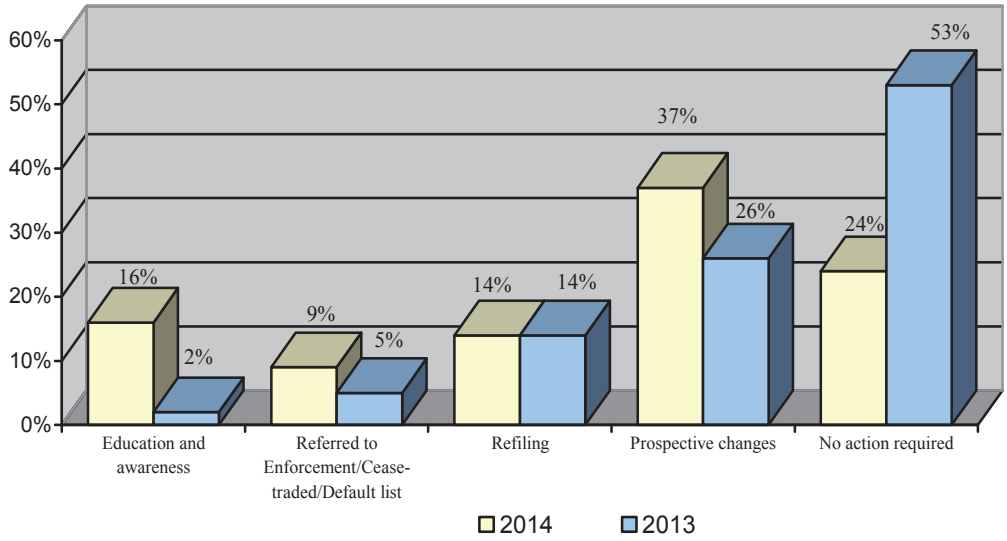
[1] In this notice "issuers" means those reporting issuers contemplated in National Instrument 51-102 *Continuous Disclosure Obligations*.

The decrease in the number of reviews can be primarily attributed to a change in our review focus. A higher number of IORs were conducted in fiscal 2013, where the main objective was to monitor quality of disclosure, observe trends and conduct research. In fiscal 2014, we focused on obtaining more substantive outcomes, as evidenced by the review outcomes chart below. We applied both qualitative and quantitative criteria in determining the level of review and type of review required. Some jurisdictions have also devoted additional resources to communicating results and findings to the public by issuing local staff notices and reports, where applicable, and holding education and outreach seminars to help issuers better understand their CD obligations.

CD Outcomes for Fiscal 2014

In fiscal 2014, 76% of our review outcomes required issuers to take action to improve their disclosure or resulted in the issuer being referred to enforcement, ceased traded or placed on the default list, compared to 47% in fiscal 2013.

Review Outcomes



We classified the outcomes of the full reviews and IORs into five categories as described in Appendix D. Some CD reviews generated more than one category of outcome. For example, an issuer may have been required to refile certain documents and also make certain changes on a prospective basis.

Although the number of reviews conducted in fiscal 2014 decreased, the total number of review outcomes resulting from our reviews has remained fairly consistent with fiscal 2013. These results reflect our focused approach on obtaining more substantive outcomes. As noted in the review outcomes chart above, the significant changes were a decrease in the “No action required” category offset by increases in the “Prospective changes” and “Referred to Enforcement/Cease traded/Default list” categories. There was also a significant increase in the “Education and awareness” category and a consistent number of outcomes in the “Refiling” category.

For fiscal 2014, the largest review outcome was in the “Prospective changes” category. If material deficiencies or errors are identified, we generally expect issuers to correct them by restating and refiling the related CD documents. However, when enhancements are required as a result of deficiencies identified, we request that amendments be made when the issuer next files its CD documents.

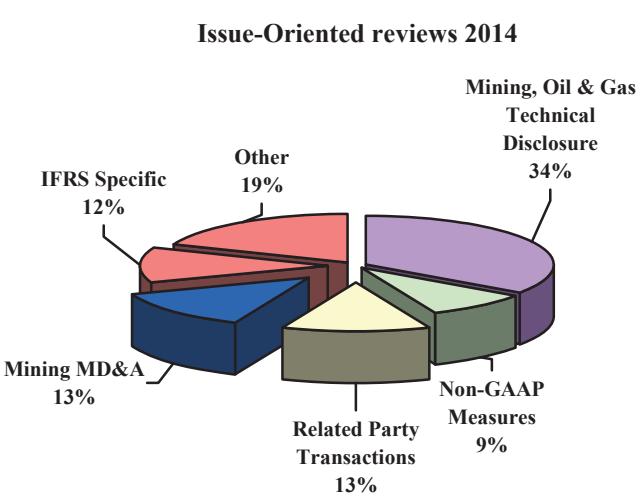
Some of the observed deficiencies requiring prospective changes and/or refiling, included:

- financial statement measurement and disclosure, which may include going concern, accounting policies, critical judgements, sources of estimation uncertainty and fair value measurement;
- MD&A compliance with Form 51-102F1 of National Instrument 51-102, *Continuous Disclosure Obligations* (**Form 51-102F1**), which may include non-GAAP measures, forward looking information, discussion of operations, liquidity, related party transactions, etc.;
- executive compensation disclosure compliance with Form 51-102F6 *Statement of Executive Compensation*, particularly the compensation discussion and analysis; and

- business acquisition reports in compliance with Part 8 of National Instrument 51-102 *Continuous Disclosure Obligations* (**NI 51-102**).

Issue-Oriented Reviews

An IOR focuses on a specific accounting, legal or regulatory issue. IORs may focus on emerging issues, implementation of recent rules or when we want to narrow the scope of our review and focus on specific issues. In fiscal 2014, a total of 78% of all CD reviews were IORs (fiscal 2013 - 72%). The following are some of the IORs conducted by one or more jurisdictions:



The "Other" category includes reviews of:

- Social Media
- Business Acquisition Reports
- Certifications
- Operating Segments
- Timely Disclosure
- Management Information Circular

The "Other" category of IORs noted above is not an exhaustive list. We may undertake an IOR for various other subject matters during the year. Refer to the Appendices for some common deficiencies identified as a result of our IORs.

Full Reviews

A full review is broad in scope and covers many types of disclosure. A full review covers the selected issuer's most recent annual and interim financial reports and MD&A filed before the start of the review. For all other CD disclosure documents, the review covers a period of approximately 12 to 15 months. In certain cases, the scope of the review may be extended in order to cover prior periods. The issuer's CD documents are monitored until the review is completed. A full review also includes an issuer's technical disclosure (e.g. technical reports for oil and gas and mining issuers), annual information form (**AIF**), annual report, information circulars, news releases, material change reports, business acquisition reports, corporate websites, certifying officers' certifications and material contracts.

In fiscal 2014, a total of 22% of the reviews were full reviews (fiscal 2013 – 28%).

Common Deficiencies Identified

Our full reviews and IORs focus on identifying material deficiencies and potential areas for disclosure enhancements. To help issuers better understand their CD obligations, we have provided guidance and examples of common deficiencies in the following appendices:

Appendix A: Financial Statement Deficiencies

1. Disclosure of Interests in Other Entities
2. Revenue Recognition
3. Impairment of Assets

Appendix B: Management's Discussion and Analysis (**MD&A**) Deficiencies

1. Non-GAAP Measures
2. Forward Looking Information
3. Additional Disclosure for Venture Issuers Without Significant Revenue

Appendix C: Other Regulatory Disclosure Deficiencies
1. Mineral Projects
2. Executive Compensation
3. Filing of News Releases and Material Change Reports (**MCRs**)

This is not an exhaustive list of disclosure deficiencies noted in our reviews. We remind issuers that their CD record must comply with all relevant securities legislation and lengthy disclosure does not necessarily result in full compliance. The examples in the appendices do not include all requirements that could apply to a particular issuer's situation and are only provided for illustrative purposes.

Results by Jurisdiction

All jurisdictions participate in the CD review program and some local jurisdictions may publish staff notices and reports summarizing the results of the CD reviews conducted in their jurisdictions. Refer to the individual regulator's website for copies of these notices and reports:

- www.bcsc.bc.ca
- www.albertasecurities.com
- www.osc.gov.on.ca
- www.lautorite.qc.ca

APPENDIX A

FINANCIAL STATEMENT DEFICIENCIES

This Appendix provides some examples of deficient disclosure contrasted against more robust entity-specific disclosure for three areas of IFRS requirements. Many issuers could improve compliance in these areas.

1. Disclosure of Interests in Other Entities

IFRS 10 *Consolidated Financial Statements* (**IFRS 10**), IFRS 11 *Joint Arrangements* (**IFRS 11**) and IFRS 12 *Disclosure of Interests in Other Entities* (**IFRS 12**) came into effect for annual periods beginning on or after January 1, 2013. IFRS 10 and IFRS 11 changed the definition of control and joint control as well as the classification of, and in some cases the accounting for, joint arrangements. IFRS 12 resulted in additional disclosure requirements for all entities with subsidiaries, joint arrangements, associates and structured entities.

For the majority of issuers, the adoption of these standards did not have a material impact on comprehensive income and the statement of financial position. For those issuers where adoption of the standards led to significant changes, such as from joint control to control, we observed many examples of insufficient disclosure in the financial statements to explain the basis for the change. In these instances, it was not apparent what factor(s) when considered in the context of the new standards led to the changes, such as the underlying structure, the agreements in place and/or the relevant activities. In many of these circumstances, we noted that the issuer only disclosed what the change was and how it was accounted for, but did not explain the significant judgements and assumptions made in arriving at management's conclusion.

The following is an example of good disclosure of the significant judgements and assumptions made where the issuer changed their assessment from joint control to control (Paragraphs 7(a) and (b) of IFRS 12). In this instance, while the issuer had lengthy disclosure, all information presented appeared relevant. For ease of presentation, we have provided only a summary of the key disclosure.

Example of Entity-Specific Disclosure

Critical Accounting Estimates and Judgements

The Company owns 85% of Entity B, with the remaining 15% owned by a third party. Under the shareholder agreement, majority shareholder approval (greater than 50%) is required for certain items such as commissioning feasibility studies and approving projects based on these studies, signing new operating agreements and voting on expansion activities that do not represent activities outside of the core business.

However, other items require the unanimous approval of all shareholders, such as entering into new credit financing, approval of operating and capital budgets and expansion outside of the ordinary course of business.

Under IAS 27 and IAS 31[1], the Company determined that it did not have control as it did not have the power to govern the financial and operating policies so as to benefit from the activities based on the items which required unanimous approval.

On adoption of IFRS 10, the Company assessed the power to direct the relevant activities of Entity B. The Company assessed that the relevant activities of Entity B were only those requiring majority approval under the shareholder agreement.

In assessing the relevant activities, management used significant judgement to determine that the ability to unilaterally undertake feasibility studies and acting on these studies, as well as signing new operating agreements, meant that the Company, in addition to being exposed to variable returns through their 85% interest, had the ability to use its power to affect the potential returns from Entity B, and therefore these relevant activities supported the determination that the Company now controlled Entity B.

Furthermore, as Entity B does not currently have or intend to have external debt, and does not plan to undertake any projects outside of the ordinary course of business, these were not deemed to be relevant activities.

The above example is specific to the facts of one issuer, and issuers are reminded that the disclosure should clearly discuss all relevant factors and significant judgements made by the issuer.

[1] IAS 27 *Separate Financial Statements* and IAS 31 *Interests in Joint Ventures.* IAS 31 was superseded by IFRS 11 and IFRS 12 with effect from annual periods beginning on or after 1 January 2013.

2. Revenue Recognition

IAS 18 *Revenue* (**IAS 18**) defines revenue as income that arises in the course of ordinary activities of an entity, and sets out a framework for recognizing revenue. One of the key determinations that needs to be made when recording revenue, is whether the issuer is acting as principal or agent. When an agency relationship exists an issuer collects amounts on behalf of a third party rather than on their own behalf. Therefore, in agency relationships the issuer can only recognize the fee, commission or mark-up that will be paid to the issuer as revenue.

The determination as to whether the issuer is acting as principal or agent is based on the specific facts and circumstances of the transactions, and the role of each party to the arrangements. Whether revenue is generated from the sale of goods, the rendering of services or the receipt of interest, royalties or dividends will also need to be factored into the assessment, and the specific conditions to recognize revenue in these circumstances are outlined in IAS 18, paragraphs 14, 20 and 29, respectively. Examples have been noted whereby an issuer recognized revenue as either principal or agent but their disclosure documents (e.g. financial statements, MD&A, AIF) contradicted or did not support the accounting treatment. We expect issuers to provide sufficient disclosure of their accounting policies and judgements applied in determining those policies.

In the following example, the issuer recognized the revenue as principal.

Example of Deficient Disclosure

Significant Accounting Policies

The sub-contract revenue is recognized when the service has been performed, the related costs are incurred, the revenue can be reliably measured and when collectability is reasonably assured. There are no post-service obligations.

For the above example, the only additional disclosure in the MD&A was that sub-contracting revenues are generated by sub-contractors who own and operate their own vehicles, suggesting an agency relationship.

Based on this limited and potentially conflicting disclosure, we questioned the issuer's rationale for recognizing the revenue as principal. In particular, the issuer did not provide:

- entity-specific disclosure in the policy note;
- discussion of the significant judgements, if any, that management has made in the process of applying the issuer's accounting policies (paragraph 122 of IAS 1 *Presentation of Financial Statements*); and
- disclosure of the factors that were assessed in the determination of recognizing revenue on a gross basis as principal (paragraph 122 of IAS 1 *Presentation of Financial Statements*). Indicators that suggest the issuer is acting as principal include if the issuer (paragraph 21 of IAS 18 Illustrative Examples):
    - has the primary responsibility for providing the goods or services to the customer;
    - assumes the risk of inventory before or after the customer order, during shipping or on return;
    - has latitude in establishing prices either directly or indirectly; and
    - assumes the credit risk on the receivable due from the customer.

Example of Entity-Specific Disclosure

Significant Accounting Policies

The Company evaluates whether it is appropriate to record the gross amount of its revenues and related costs by considering a number of factors, including, among other things, whether the Company is the primary obligor under the arrangement and has latitude in establishing prices. Sub-contract revenue is derived from lease operators providing services to customers operating under the Company banner. Management has reviewed the primary indicators of the lease operator transactions such as:

- The sub-contractor provides the service to the customer operating on behalf of the Company;
- The Company has control over who performs the service;

Example of Entity-Specific Disclosure (cont'd)

- The Company is responsible for all billing and collecting of revenues;
- The Company is responsible for setting all rates; and
- The lease operator receives a set percentage of lease operator revenues generated.

Taking all of the above into consideration, management has made the judgement that the Company is the primary obligor in these transactions and has sole latitude in establishing prices. Accordingly, revenue is recorded on a gross basis, excluding any taxes, when the service has been performed, the related costs are incurred, the revenues can be reliably measured and when collectability is reasonably assured.

3. Impairment of Assets

In accordance with paragraph 130 of IAS 36 *Impairment of Assets* (**IAS 36**), an issuer must disclose information about the events and circumstances that led to the recognition or reversal of an impairment loss, and the amount of impairment loss recognized or reversed during the period. An issuer must disclose whether the recoverable amount of the asset (cash-generating unit) is its fair value less costs of disposal or its value in use. For level 2 and level 3 fair value measurements, if the recoverable amount is fair value less costs of disposal, an issuer must disclose the valuation technique used to measure fair value less costs of disposal. If recoverable amount is value in use, an issuer must disclose the discount rate(s) used in the current estimate and previous estimate (if any) of value in use. Some issuers did not disclose all the information required by paragraph 130 of IAS 36.

Example of Deficient Disclosure

The recoverable amount of the Company's cash generating unit A (CGU A), which includes oil and natural gas assets, is determined at each reporting period end, or where facts and circumstances provide impairment indicators. During the year ended December 31, 2013, the Company performed an impairment test on CGU A and identified that the carrying amount of CGU A of approximately $140 million exceeded its recoverable amount of approximately $85 million, and accordingly recognized an impairment expense of approximately $55 million. The impairment test was conducted by management based on information provided by an independent reserves evaluator.

In the above example, the issuer did not disclose:

- the events and circumstances that led to the recognition of the impairment loss (paragraph 130(a) of IAS 36);
- whether the recoverable amount of the assets is its fair value less costs of disposal or its value in use (paragraph 130(e) of IAS 36);
- if the recoverable amount is fair value less costs of disposal, how fair value is determined, and the valuation technique used to measure fair value less costs of disposal (paragraph 130(f) of IAS 36); and
- if the recoverable amount is value in use, the discount rate(s) used in the current estimate and previous estimate (if any) of value in use (paragraph 130(g) of IAS 36).

Example of Entity-Specific Disclosure

During the year ended December 31, 2013, the Company performed an impairment test on its cash generating unit A (CGU A), which includes oil and natural gas assets. The Company determined that the carrying amount of CGU A of approximately $140 million exceeded its recoverable amount of approximately $85 million due to a decline in estimated reserve volumes, and accordingly recognized an impairment expense of approximately $55 million.

The recoverable amount of CGU A was based on the higher of value in use and fair value less costs of disposal. The fair value measurement of CGU A is categorized within level 3 of the fair value hierarchy. The estimate of the fair value less costs of disposal was determined using forecasted cash flows based on proved plus probable reserves, forecasted commodity prices, and an after-tax discount rate of 5% which represents the Company's weighted average cost of capital and which includes estimates for risk-free interest rates, market value of the Company's equity, market return on equity and share volatility. The key input estimates used to determine cash flows from oil and gas reserves, which are subject to significant changes, include: reserves at the time of reserve estimation, forward oil and natural gas prices, and the discount rate. See table below for the values of these input estimates (*table not provided in this illustrative example*).

APPENDIX B

MANAGEMENT'S DISCUSSION AND ANALYSIS DEFICIENCIES

As in prior years, deficiencies were also noted in the MD&A disclosure. As stated in Part 1(a) of Form 51-102F1, the MD&A should include balanced discussions of the issuer's financial performance and financial condition, including, without limitation, such considerations as liquidity and capital resources. The MD&A should help current and prospective investors to understand what the financial statements show and do not show. It should also discuss material information that may not be fully reflected in the financial statements.

In fiscal 2014, we identified three areas of the MD&A where deficient disclosure was noted: 1) non-GAAP measures; 2) forward looking information; and 3) additional disclosure for venture issuers without significant revenue. For each area, we have provided examples of deficient disclosure contrasted against more robust entity-specific disclosure.

1. Non-GAAP Measures

CSA Staff Notice 52-306 (Revised) *Non-GAAP Financial Measures and Additional GAAP Measures* (**SN 52-306**) provides issuers with guidance on non-GAAP financial measures and additional GAAP measures. A non-GAAP financial measure is a numerical measure of an issuer's historical or future financial performance, financial position or cash flows that does not meet one or more of the criteria of an issuer's GAAP for presentation in financial statements, and that either:

i. excludes amounts that are included in the most directly comparable measure calculated and presented in accordance with the issuer's GAAP, or

ii. includes amounts that are excluded from the most directly comparable measure calculated and presented in accordance with the issuer's GAAP.

Non-GAAP financial measures are often found in public documents, such as the MD&A, news releases, prospectus filings, corporate websites and marketing materials. Earnings before interest, taxes, depreciation and amortization (**EBITDA**) is a commonly used non-GAAP financial measure. We note that while EBITDA is generally a non-GAAP measure presented outside the financial statements, in some cases it may be an additional GAAP measure if it is presented in the financial statements (e.g. as a subtotal in the statement of comprehensive income).

Based on our reviews, we noted that the composition of EBITDA is often inconsistent with this commonly understood meaning. We noted that additional adjustments are often made to EBITDA to make the metric look more positive. When additional adjustments are included in the EBITDA calculation, the measure could be seen as potentially misleading or confusing to investors.

In the following example, adjustments for impairment, restructuring and foreign exchange charges have been made to EBITDA, which makes the non-GAAP measure potentially misleading, as it is unlikely to be comparable to similar measures presented by other issuers.

Example of Deficient Disclosure		
	2013	***2012***
Net earnings	$3,453	$2,768
Interest expense	335	326
Current and deferred taxes	522	468
Depreciation and amortization	45	48
Impairment charges	350	520
Restructuring charges	240	120
Foreign exchange loss	85	65
EBITDA	**5,030**	**4,315**

The following example illustrates better and more transparent disclosure where the impairment, restructuring and foreign exchange charges are not included as part of the EBITDA calculation, rather applied to EBITDA to arrive at Adjusted EBITDA.

Example of Entity-Specific Disclosure		
	2013	**2012**
Net earnings	$3,453	$2,768
Interest expense	335	326
Current and deferred taxes	522	468
Depreciation and amortization	45	48
EBITDA	**4,355**	**3,610**
Impairment charges	350	520
Restructuring charges	240	120
Foreign exchange loss	85	65
Adjusted EBITDA	**5,030**	**4,315**

In addition to the table above, in order to ensure the disclosure is not misleading, the issuer should include all material disclosures set out in SN 52-306.

2. Forward Looking Information

Section 4A.3 of NI 51-102 states that a reporting issuer that discloses material forward-looking information (**FLI**) must include disclosure that:

a) identifies the FLI as such;

b) cautions users of FLI that actual results may vary from the FLI and identifies material risk factors that could cause actual results to differ materially from the FLI;

c) states the material factors or assumption used to develop FLI; and

d) describes the reporting issuer's policy for updating FLI if it includes procedures in addition to those described in subsection 5.8(2) of NI 51-102.

FLI is a key area of interest for investors. Most issuers include some FLI in a continuous disclosure document, a news release or on their website. When prepared properly, FLI can be used to enhance transparency and increase an investor's understanding of a reporting issuer's business and future prospects.

Our reviews identified four common areas where improvement is needed:

- clear identification of FLI;
- disclosure of material factors or assumptions used to develop FLI;
- updating previously disclosed FLI; and
- comparison of actual results to the future oriented financial information or financial outlook previously disclosed.

The most significant area of required improvement is disclosure of the material factors or assumptions used to develop FLI. Material factors and assumptions should be disclosed and should be reasonable, supportable, entity specific, and tied to FLI. Reporting issuers continue to provide general boilerplate disclosure that does not adequately describe the key assumptions used and how primary risks may impact future performance.

Example of Deficient Disclosure

In fiscal 2013, the Company anticipates that total sales will increase by 5.0% to 6.0%.

The following entity-specific disclosure example includes detailed factors and assumptions specific to the issuer's business. This is an example of clear disclosure which will assist an investor in understanding the issuer's business.

Example of Entity-Specific Disclosure

The following represents forward-looking information and users are cautioned that actual results may vary. In fiscal 2013, the Company expects total sales to increase by 5.0% to 6.0%. This expectation is based on same-store sales growth of between 3.0% and 4.0% and the introduction of new brands to our centre stores. It is expected that new brands will contribute to the increase in sales and will be offset by increased competition from U.S. retailers. A key performance indicator for the Company includes retail sales per square foot. This target assumes an average sale per square foot of $45. An increase of 25 basis points in interest rates may cause the sales target to decrease by 1.0 % to 2.0%.

3. Additional Disclosure for Venture Issuers Without Significant Revenue

Section 5.3 of NI 51-102 and Item 1.15 of Form 51-102F1, require a venture issuer that has not had significant revenue from operations in either of its last two financial years, to disclose in its MD&A, on a comparative basis, a breakdown of material components of:

a) exploration and evaluation (**E&E**) assets or expenditures;

b) expensed research and development costs;

c) intangible assets arising from development;

d) general and administration expenses; and

e) any material costs, whether expensed or recognized as assets, not referred to in paragraphs (a) through (d);

and if the venture issuer's business primarily involves mining exploration and development, the analysis of E&E assets or expenditures must be presented on a property-by-property basis.

We often find disclosure, as presented in the example below, where the issuer presents its exploration expenditures on a property-by-property basis without giving a breakdown by material components. This disclosure does not allow an investor to understand where and how the money was spent.

Example of Deficient Disclosure

	Property A	**Property B**	**Total**
Balance, as at December 31, 2011	$3,000,000	$1,000,000	$4,000,000
Additions	1,812,910	175,620	1,988,530
Balance, as at December 31, 2012	**4,812,910**	**1,175,620**	**5,988,530**
Additions	775,220	469,840	1,245,060
Balance, as at December 31, 2013	**5,588,130**	**1,645,460**	**7,233,590**

In the following entity-specific example, the issuer has disclosed its E&E expenditures by material components and has provided the information for both of its material properties. The example assumes that the issuer's accounting policy is to expense E&E expenditures, however we would expect similar disclosure, along with a reconciliation of opening and closing balances if the issuer capitalized the amounts. In addition to such presentation, we would expect relevant qualitative discussion.

Example of Entity-Specific Disclosure						
	Property A		**Property B**		**Total**	**Total**
	December 31, 2013	**December 31, 2012**	**December 31, 2013**	**December 31, 2012**	**December 31, 2013**	**December 31, 2012**
Exploration Expenditures						
Assays and geochemistry	$41,050	$145,730	$27,390	-	$68,440	$145,730
Camp costs	25,550	57,400	5,410	-	30,960	57,400
Consulting	15,490	6,400	7,650	28,880	23,140	35,280
Drilling	466,820	1,248,500	330,390	-	797,210	1,248,500
Geology	38,690	19,400	17,420	-	56,110	19,400
Geophysics	25,990	42,200	-	92,480	25,990	134,680
Travel and lodging	77,260	124,880	36,120	21,660	113,380	146,540
Salaries and labour	84,370	168,400	45,460	32,600	129,830	201,000
Total exploration expenditures	**775,220**	1,812,910	**469,840**	175,620	**1,245,060**	1,988,530
Cumulative E&E since inception	**$5,588,130**	$4,812,910	**$1,645,460**	$1,175,620	**$7,233,590**	$5,988,530

APPENDIX C

OTHER REGULATORY DISCLOSURE DEFICIENCIES

CSA Staff assess issuer compliance with securities laws. Our objective is to promote clear and informative disclosure that will allow investors to make informed investment decisions. Some of the areas where compliance issues persist include disclosure or filings related to: 1) mineral projects; 2) executive compensation; and 3) news releases and material change reports.

1. Mineral Projects

Issuers engaged in mineral exploration and mining activities have to comply with the requirements set out in National Instrument 43-101 *Standards of Disclosure for Mineral Projects* (**NI 43-101**) which includes Form 43-101F1 *Technical Report* (**Form 43-101F1**). Common deficiencies noted in complying with Form 43-101F1 include the following:

- lack of clearly disclosing how "reasonable prospects for economic extraction" were established for projects with mineral resource estimates, including the key assumptions, parameters and methods;
- insufficient discussion of any potential social or community related requirements and plans for advanced properties and the status of any negotiations or agreements with local communities;
- failure to provide the required context and justification for capital and operating cost estimates for advanced properties;
- inadequate information related to economic analysis information for advanced properties, particularly disclosing only pre-tax cash flows or only up-side sensitivity analysis;
- lack of disclosure related to project-specific risks and uncertainties that could reasonably be expected to affect the reliability or confidence in the information presented;
- incomplete disclosure of the "key findings" about the mineral property in the summary section; and
- missing statements required under section 8.1(2) of NI 43-101 in the qualified person's certificate.

Given the significance of the mining sector in Canadian capital markets, compliance with NI 43-101 and Form 43-101F1 for issuers with mineral projects is critical.

2. Executive Compensation

Issuers must provide, in accordance with Form 51-102F6 *Statement of Executive Compensation* of NI 51-102 (**Form 51-102F6**) a Compensation Discussion and Analysis (**CD&A**) that describes and explains all significant elements of compensation awarded to, earned by, paid to, or payable to named executive officers (**NEO**).

A number of issuers that were reviewed did not include sufficient explanation in their CD&A as to how each element of compensation is tied to each NEO's performance. In many cases, the CD&A did not fully describe how executive compensation decisions were made. This was of particular concern with regard to performance goals and similar conditions.

We remind issuers that subsection 2.1(4) of Form 51-102F6 requires that if applicable, performance goals or similar conditions that are based on objective, identifiable measures, such as the company's share price or earnings per share, be disclosed. When an issuer discloses the grant of a bonus to an NEO, the issuer also has to explain in the CD&A that it granted the bonus because the performance goals were met and explicitly link this discussion with its NEO's compensation, as reported in the summary compensation table. If the payment of a bonus ultimately remained at the discretion of the board of directors, this fact should also be included in the CD&A to place the quantification of the objective measures in context.

We also remind issuers that, if they disclose performance goals that are non-GAAP financial measures, for example EBITDA, they have to explain how the issuer calculates these performance goals and similar conditions from its financial statements.

3. Filing of News Releases and Material Change Reports (MCRs)

In accordance with National Policy 51-201 *Disclosure Standards*, news releases and announcements of material changes should be factual and balanced. In particular, an issuer's disclosure should contain enough detail to enable the media and investors to understand the substance and importance of the change it is disclosing. Issuers should avoid including unnecessary details, exaggerated reports or promotional commentary. Over the past fiscal year, we have seen many issuers filing news releases and/or MCRs when the timing of the release may be inappropriate and/or the content of the report is inadequate.

For example, if the issuer is changing the focus of their business to a different industry, the issuer should consider whether they have done sufficient due diligence prior to deciding whether they should file a news release and/or issue a MCR. This may include, but is not limited to, obtaining the appropriate licenses and/or meeting regulations, determining whether the issuer has sufficient capital or other resources to implement the changes, etc. The issuer would then need to consider the level of disclosure to be included in the news release and MCR, which should include, among other things, information about the time and resources required for the change in business as well as the barriers and obligations involved in realizing the change.

We also continue to see issuers who either do not file their news releases and/or MCRs or fail to do so on a timely basis in accordance with Part 7 of NI 51-102. We have also noted several issuers are inconsistent with their filings of news releases and/or MCRs. The following are some examples of these types of situations:

- Announcement of directors and officers appointments or resignations. We note issuers file news releases and/or MCRs announcing new appointments but do not file similar announcements of resignations. We have also observed several instances where issuers' disclosure of the appointments/resignations of directors and officers is buried within lengthy news releases, often after positive earnings and production activity.

- Breach and/or waiver of financial covenants. We note issuers do not file news releases and/or MCRs for a breach and/or waiver of financial covenant in a timely manner. In several instances we have observed issuers that have breached and/or received a waiver but wait until the filing of their next interim or annual filings before this information is disseminated.

We will continue to monitor these types of filings going forward.

APPENDIX D

CATEGORIES OF OUTCOMES

Referred to Enforcement/Cease-Traded/Default List

If the issuer has critical CD deficiencies, we may add the issuer to our default list, issue a cease trade order and/or refer the issuer to enforcement.

Refiling

The issuer must amend and refile certain CD documents.

Prospective Changes

The issuer is informed that certain changes or enhancements are required in its next filing as a result of deficiencies identified.

Education and Awareness

The issuer receives a proactive letter alerting it to certain disclosure enhancements that should be considered in its next filing or when staff of local jurisdictions publish staff notices and reports on a variety of continuous disclosure subject matters reflecting best practices and expectations.

No Action Required

The issuer does not need to make any changes or additional filings. The issuer could have been selected in order to monitor overall quality disclosure of a specific topic, observe trends and conduct research.

Questions – Please refer your questions to any of the following:

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1.1.2 CSA Staff Notice 24-310 – Status Update on Proposed Local Rules 24-503 Clearing Agency Requirements and Related Companion Policies

CSA/ACVM Canadian Securities Administrators Autorités canadiennes en valeurs mobilières

CSA Staff Notice 24-310
Status Update on Proposed Local Rules 24-503 *Clearing Agency Requirements* and Related Companion Policies

July 17, 2014

Introduction

Staff of the Canadian Securities Administrators (the CSA or we) are publishing this notice to update the public on proposed rule-making initiatives of certain CSA jurisdictions governing clearing agencies. On December 18, 2013, the Autorité des marchés financiers du Québec (AMF), Manitoba Securities Commission (MSC) and Ontario Securities Commission (OSC) each published for comment the following documents, in substantially similar form, in their respective jurisdictions:

- a proposed local rule 24-503 regarding clearing agency requirements (proposed Local Rule);[1]
- a related proposed local companion policy 24-503CP (proposed CP); and
- a notice and request for comments on the proposed Local Rule and CP (Request Notice).

In addition, concurrent to the publication of the Request Notices and proposed Local Rules and CPs, provincial securities regulatory authorities in British Columbia, Alberta, Saskatchewan, New Brunswick and Nova Scotia published Multilateral Staff Notice 24-309 (the Multilateral Notice).[2] The purpose of the Multilateral Notice was to inform the public that such authorities had also begun the development of, and intended to publish at a later date, a proposed multilateral instrument substantially similar to the proposed Local Rules.

The proposed Local Rule has several purposes. It sets out certain requirements in connection with the application process for recognition as a clearing agency under securities legislation (or for an application to be exempt from the recognition requirement). Guidance on the regulatory approaches to applications for recognition or exemption is set out in the proposed CP. The proposed Local Rule also sets out on-going requirements for *recognized* clearing agencies that act as, or perform the services of, a central counterparty (CCP), central securities depository (CSD) or securities settlement system (SSS). These requirements are based largely on international standards applicable to financial market infrastructures (FMIs) set out in the April 2012 report *Principles for financial market infrastructures* (as the context requires, the PFMIs or PFMI report) published by the Committee on Payment and Settlement Systems (CPSS) and the International Organization of Securities Commissions (IOSCO).[3]

A key objective of the proposed Local Rules is to adopt, in Canada, the CPSS-IOSCO international standards governing FMIs set out in the PFMI report. Implementation of the standards is intended to enhance the safety and efficiency of FMIs, limit systemic risk, and foster financial stability. It is also intended to support the work of the CSA Derivatives Committee to develop a comprehensive regulatory framework for the trading and clearing of derivatives in Canada.

Status Update

(a) Development of uniform Canadian requirements

In response to the Request Notices, stakeholders suggested that provincial securities regulators take a unified approach to implementing the PFMIs. The CSA had discussed the prospect of a national instrument prior to the development of the

1 The proposed Local Rules that were published for comment are the following: AMF *Regulation 24-503 Respecting Clearing House, Central Securities Depository and Settlement System Requirements;* MSC Rule 24-503 *Clearing Agency Requirements*; and OSC Rule 24-503 *Clearing Agency Requirements*.

2 The Multilateral Notice can be found on certain websites of such authorities. In British Columbia, for example, see: https://www.bcsc.bc.ca/Securities_Law/Policies/Policy2/24-309_Publication_of_Clearing_Agency_Requirements_in_Ontario__Quebec_and_Manitoba__CSA_Multilateral_Staff_Notice_/

3 The PFMI report is available on the Bank for International Settlements' website (www.bis.org) and the IOSCO website (www.iosco.org).

proposed Local Rules, but we determined that such an approach was not feasible at the time. The CSA have reconsidered, and agree that adoption of uniform requirements governing clearing agencies is now possible and would benefit the markets. We propose to adopt the PFMIs across the country as a national instrument (proposed National Instrument). Clearing agencies operating in Canada are national in scope, and a national instrument will therefore facilitate the implementation of uniform, consistent and transparent requirements for clearing agencies in all Canadian jurisdictions.

The CSA intend to develop the proposed National Instrument by taking into consideration the comments received on the proposed Local Rules (see below "Summary of Comments on Proposed Local Rules").We expect that the proposed National Instrument will be published for a 60 day comment period in the fall of 2014.

(b) Anticipated benefits of the proposed National Instrument

As with the proposed Local Rules, the purpose of the proposed National Instrument will be to enhance the regulatory framework for recognized clearing agencies operating or seeking to operate in a Canadian jurisdiction. This regulatory framework will facilitate ongoing observance by recognized clearing agencies of international minimum standards applicable to FMIs. The CSA believe that the proposed National Instrument will support resilient and cost-effective clearing agency operations. It will promote transparency and support confidence among market participants in the ability of clearing agencies to provide efficient and safe clearance and settlement services, which in turn will facilitate capital formation. Also, the proposed National Instrument will further facilitate the efforts of Canadian CCPs to meet the "qualifying CCP" (QCCP) status under the Basel III and Canadian banking guidelines. Canadian and foreign banks that have certain counterparty exposures to Canadian CCPs would be subject to higher capital requirements if these CCPs do not meet the QCCP status.

(c) Joint supplementary guidance

As with the proposed CPs, the companion policy to the proposed National Instrument will include supplementary guidance jointly developed by the CSA and the Bank of Canada (Bank) for domestic clearing agencies that are regulated by CSA jurisdictions and the Bank (Joint Supplementary Guidance). Joint Supplementary Guidance related to governance standards was published for comment in the proposed CPs. The CSA and the Bank intend to publish for comment further Joint Supplementary Guidance on other standards. The CSA intend to publish for comment such further Joint Supplementary Guidance in the companion policy to the proposed National Instrument.

Because of its importance to certain Canadian clearing agencies, the Bank has published the Joint Supplementary Guidance related to liquidity risk on its website for a 30-day comment period.[4] We are supportive of the Bank's publication of this guidance. We intend to re-publish the guidance related to liquidity risk later this fall with the proposed National Instrument and related companion policy. We would encourage prospective commenters to provide their views, if any, during the Bank's comment period, which expires on August 4, 2014[5] so that any feedback can be incorporated when we publish the proposed National Instrument and related companion policy.

Summary of Comments on Proposed Local Rules

The comment period for the proposed Local Rules and CPs ended on March 12, 2014 (for the MSC) and March 18, 2014 (for the AMF and OSC), respectively. Taken together, nine comment letters were received by the regulators. The list of commenters is attached as Appendix "A" to this Notice. We thank the commenters for taking the time to consider the proposed Local Rules and CPs.

We have provided a summary of comments received on the proposed Local Rules and CPs in Appendix "B". As noted above, the CSA intends to carefully consider the comments in developing the proposed National Instrument. The publication of the proposed National Instrument and related companion policy later this fall will include responses to such comments. The public will have an opportunity to review and comment on the proposed National Instrument.

In general, the commenters thought that adoption of the CPSS-IOSCO standards would be a positive step for the Canadian markets and the regulation of its FMIs. There was also general agreement with the proposed Local Rules' purpose and key objectives. Aside from a desire for a uniform approach – which will be dealt with through the development of the proposed National Instrument – some commenters requested that the PFMIs be incorporated into the rule framework in a more direct fashion than had been proposed in the proposed Local Rules, and that they be clearly separated from any additional requirements which are unique to the Canadian context. We will consider how best to redraft the proposed National Instrument to more directly incorporate the text of the PFMI principles and (where appropriate) their key considerations as rule requirements. We will also consider how best to separately identify other requirements, if any, that are in addition to the PFMIs.

[4] The Bank of Canada guidance can be found at this address: http://www.bankofcanada.ca/core-functions/financial-system/oversight-designated-clearing-settlement-systems/bank-of-canada-risk-management-standards-for-designated-fmis/.

[5] See the Bank's Notice at: http://www.bankofcanada.ca/2014/07/public-consultation-policy-guidance/

The remaining comments on specific matters are summarized in the attached Appendix “B”.

Questions

Questions with respect to this Notice, or the comments attached hereto, may be referred to:

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APPENDIX "A" TO CSA NOTICE 24-310

Status update on proposed Local Rules 24-503 *Clearing Agency Requirements* and related companion policies

List of Commenters

Canadian Investor Protection Fund

Canadian Life and Health Insurance Association Inc.

CME Group Inc.

IGM Financial Inc.

Investment Industry Association of Canada

LCH.Clearnet Group Ltd.

RBC Global Asset Management Inc.

TMX Group Ltd. (on behalf of all its subsidiaries)

TMX Group Ltd. (on behalf of its financial market infrastructures: Canadian Derivatives Clearing Corporation, The Canadian Depository for Securities Limited, and Natural Gas Exchange)

APPENDIX "B" TO CSA NOTICE 24-310

Status update on proposed Local Rules 24-503 *Clearing Agency Requirements* and related companion policies

Summary of Comments

Theme/question[6]	Summary of comments
General	
Purposes of the proposed Local Rule and approach to drafting	One commenter disagrees with the drafting approach chosen to achieve the purposes of the proposed Local Rule (i.e. adopting the PFMIs in a rule). The commenter feels that differences, however modest, between the PFMIs and the proposed Local Rule would require complex, time consuming and costly analyses of such differences (including what, if any, non-PFMI provisions have been added to the proposed Local Rule). The commenter enumerates several possible consequences resulting from the approach (which necessitates analyses of possible differences from the PFMIs): • it may deter participants and clearing agencies from entering/expanding in the Canadian market, leading to less competition, liquidity and stability as a whole; • clearing agencies that have begun self-assessments according to PFMI standards would have to reconsider the proposed Local Rule requirements; • domestic clearing agencies held to more rigorous provincial requirements than those based in foreign jurisdictions would be disadvantaged by an uneven playing field; • CPSS-IOSCO implementation monitoring efforts of the PFMIs would be confused by potentially different standards imposed on Canadian clearing agencies; • foreign regulators would have difficulty assessing equivalency of the proposed Local Rule to their own PFMIs-based requirements; and • assessment as a "qualifying CCP" (QCCP) could be made more difficult and uncertain, should the Local Rule's requirements be seen as different from, or potentially imposing lower standards than, the PFMIs. The commenter expresses that the stated purposes of the proposed Local Rule could be achieved by requiring direct compliance with the international standards, and only adding to a proposed Local Rule the additional requirements that would be unique to a province.
Unified approach to rule-drafting	A commenter is concerned that the complexity of analyzing the differences between the proposed Local Rule and the PFMIs would be magnified by the impact of each jurisdiction enacting its own rule. The commenter calls for a unified approach to drafting and implementing the proposed Local Rule amongst the provincial/territorial regulators.
Requirements pursuant to existing terms and conditions	One commenter says that it was unclear whether certain recognized/exempt clearing agencies would be required to continue to comply with an existing term and condition that requires compliance with the PFMIs, possibly in addition to the proposed Local Rule.
Foreign-based entities' compliance with proposed Local Rule, and equivalence and mutual recognition approaches	A commenter is concerned that the proposed Local Rule is not clear whether foreign-based clearing agencies that are recognized in a province will be required to comply with all new provisions, or may continue to abide by terms and conditions in their existing recognition orders. The commenter notes that adhering to the proposed Local Rule's Part 3 provisions would be duplicative and inefficient when considering the regulation in a home jurisdiction, whereas current terms and conditions already address the balance with the home jurisdiction's regulation.

[6] A reference to a provision (i.e., section, subsection, paragraph, etc.) is a reference to a provision of the proposed Local Rule, unless otherwise indicated.

Theme/question[6]	Summary of comments
	Two commenters highlight a need for access to third-country markets / clearing agencies under the concepts of equivalence and mutual recognition. One commenter suggests that an equivalence test be based on transparent, proportionate, fair and objective grounds, and should be judged on an outcome-determinative basis that looks to the PFMIs for guidance, so as to recognize the differences in legal and regulatory structures around the world. The commenters advocate for a process similar to the EMIR scheme for the recognition of third country CCPs, which relies on an equivalence assessment of the home country's legal and regulatory structure and an MOU between ESMA and the relevant regulator. The commenters also note that terms and conditions would have to be appropriate in light of the supervision and oversight being carried out in multiple jurisdictions, and that reliance should be placed on the regulations in the home jurisdictions to implement the PFMIs in place of direct application of CSA requirements on third country CCPs.
Part 2: Clearing agency recognition or exemption from recognition	
Request Notice question 1: Are there other factors that could be considered in determining systemic importance of a clearing agency to the relevant province? If so, please describe such factors and your reasons for including them. Subsections 2.0(2)-(5) of the proposed CP – systemic importance	A commenter notes that the proposed definition should include (a) the extent to which failure of a clearing agency would require the use of public funds to maintain the stability of Canada's financial infrastructure, and (b) the impact a clearing agency failure would have on Canada's financial infrastructure.
	A commenter notes that it would be useful to view the criteria within the context of the currencies in which an FMI's obligations are denominated, since any effects in Canada may depend on the value of an FMI's CDN dollar-denominated transactions.
	A commenter suggests that the linkages between the clearing agency and other CCPs should be considered, including instances in which they assume exposure to one or more CCPs, as well as how such exposures are managed.
	A commenter suggests that any risk exposure of the clearing agency to counterparties that are not residents of a relevant province but are systemically important to those residents should be considered.
	A commenter highlights the absence of an appeal mechanism for parties who wish to have their determination of systemic importance reviewed.
Significant changes and other changes in information Section 2.2	A commenter notes that the advanced approval requirement for significant changes and notification of fee changes is inconsistent with international regulations and thus puts domestic clearing agencies on an uneven playing field relative to foreign-based clearing agencies, who may make such changes more quickly. The commenter describes that CFTC regulations for derivatives clearing agencies, for example, require only self-certification of rule changes with the CFTC 10 business days in advance of the change. The commenter requests aligning the requirements with those of the CFTC.
Filing of initial audited financial statements Section 2.4	A commenter notes that while it plans to adopt the use of IFRS in the near future, it currently prepares its financial statements in accordance with UK GAAP, as per its home regulator's requirements. It requests confirmation that the provincial/territorial regulators will flexibly implement s. 2.4 to allow conformation with local regulatory requirements and that the provision will not negatively impact its operations in the relevant province.
Filing of annual audited and interim financial statements Section 2.5	A commenter urges the provincial/territorial regulators to extend the approach taken under s. 2.2 – to allowing alternate means to meeting the provision's requirement for foreign-based entities, as specified in its recognition/exemption order – to the requirements of s. 2.5. The commenter notes that some home country regimes do not require interim financial statements to be audited.

Theme/question[6]	Summary of comments
Part 3: On-going requirements applicable to recognized clearing agencies	
Section 3.2 – Governance	
Joint Supplementary Guidance Box 2, Item 1 Subsection 3.2(2) of the proposed CP	A commenter felt that the statement "the FMI functions should be legally separated from other functions performed by the consolidated entity in order to maximize bankruptcy remoteness of the FMI functions" does not align with the PFMIs paragraph 3.2.6. The commenter interprets that the PFMIs describe legal separation as a consideration when services present a distinct risk profile from, or pose additional risks to, its existing functions. So, whereas legal separation may be effective for multi-functional risks on a case-by-case basis, it is just one mechanism, in addition to, for example, effective governance and containment of risk through contractual terms.
Role of the chief compliance officer Paragraph 3.2(7)(d)	A commenter feels that the requirement could impose significant effort and cost on a clearing agency registered in multiple jurisdictions. Alternatively, the commenter proposes that recognized foreign clearing agencies be able to leverage similar information/reports provided to other regulators or information in its CPSS-IOSCO FMI Disclosure Framework Document.
Transparency of major decisions Subsection 3.2(13)	A commenter proposes that, before a major decision that has a potential broad market impact is published, the clearing agency should be permitted to make a case for non-publication on the grounds of possible negative impact to financial stability in any of the jurisdictions in which it operates. Also, the publication should be made only with the approval of a relevant home-jurisdiction regulator and/or regulator of any other impacted jurisdiction.
	A commenter also notes that it would make sense that ss. 3.2(13) should only apply to determinative decisions of a clearing agency's Board, since other (more preliminary or interim) resolutions may be confusing, misleading or inappropriately market-moving.
Section 3.5 – Collateral and Section 3.7 – Liquidity risk	
Collateral – general principle Subsection 3.5(1)	A commenter says it is essential that letters of credit be perceived as permitted collateral, notwithstanding that the wording of the provision does not specifically suggest otherwise. The commenter requests positive clarity that letters of credit are intended to be included.
Collateral and liquidity risk Sections 3.5, 3.7	A commenter requests flexibility in the eligible collateral a clearing agency can accept, as certain financial industries, such as the life insurance industry, tend to hold long-dated corporate securities to support the long-term nature of their activities. The commenter suggests that such participants would incur significant costs in obtaining more liquid assets to post as collateral with a clearing agency. It requests that long term assets, such as high grade corporate bonds, be considered eligible.
Qualifying liquid resources Subsections 3.7(8) and (9)	With respect to par. 3.7(8)(a), a commenter notes that there is minimal liquidity risk with respect to major currencies and any potential concerns could be addressed through a foreign haircut allowance, if necessary. The commenter interprets that PFMIs paragraph 3.7.10 contemplates holding liquid resources in more than one currency, but does not strictly require that the currency of liquid resources must exactly match the currency of the obligations. Further, if highly marketable collateral held in investments are permitted, given the standardization and marketability of major currencies, it does not seem reasonable to require that cash must be held in the same currency of the obligation.
	With respect to par. 3.7(8)(b), a commenter requests that committed lines of credit be expanded to include letters of credit, as they are committed obligations of an underwriting bank.
	With respect to par. 3.7(8)(e) and the posting of bonds as collateral, a commenter notes that it is not clear what is included as "highly marketable collateral" or what funding arrangements would qualify as prearranged and highly reliable. The

Theme/question[6]	Summary of comments
	commenter is concerned that should customers not be able to post bonds as collateral with clearing members, because they in turn cannot post bonds to a clearing agency, customers or clearing members will be required to enter into repurchase transactions to raise cash to post, which may impose additional costs without reducing systemic risk.
Section 3.13 – Participant default rules and procedures	
Use and sequencing of financial resources Subsection 3.13(3)	A commenter asserts that it is not practical for a clearing agency to pre-commit to use particular liquidity resources in a specific order; rather the use of various resources to meet time-sensitive needs will depend on the details of a default situation. Also, the inclusion of such a hierarchy in publicly disclosed rules (or only to members) could make the clearing agency vulnerable to gaming by market participants. Accordingly, any plan for using liquidity resources should remain confidential, or at least disclosed only at a high level.
Testing of default procedures Subsection 3.13(6)	A commenter requests that only entities that clear positions for their clients' futures commission merchant (FCM) services or that are involved in loss mutualization be involved as the required participants and stakeholders for the testing of a clearing agency's default rules and procedures. The commenter explains that for clearing members of a private, non-mutualized clearing agency, clearing members are clearing for their own accounts, and do not provide services typically afforded by FCMs. Accordingly, in the event of a default and close out, non-defaulting participants are neither impacted nor included in the process. As such, these members are unwilling to, and see little value in being involved in the testing and review of relevant procedures.
Use of own capital Subsection 3.13(8)	A commenter expresses that, while the PFMIs contemplate that an FMI using its own resources is an option for the management of a default, it is not actually required. Further, while the proposed Local Rule may require 'skin in the game' to motivate a clearing agency to act in a manner that would minimize loss and risk to all, given the reputational risk the clearing agency has at stake as the market watches its response to a default, it is unnecessary to add any additional motivating factor.
Section 3.14 – Segregation and portability	
General comments	A commenter expresses concern that, in the context of a securities firm insolvency, the application of Principle 14 to all markets may impede or negate the ability of a trustee in bankruptcy, as well as investor protection funds, from returning the firm's client funds, and will only move the Canadian framework closer to the US model, in spite of the well-received Canadian performances to date. Whereas collateral would have to be held on a gross basis by the CCP, CIPF coverage would be impacted because assets held at the CCP would not vest with the CIPF trustee. Indeed, the principle of pooling assets for pro-rata distribution – the cornerstone of Part XII of the *Bankruptcy and Insolvency Act* – would no longer be applied to all clients.
	A commenter notes that in the particularly complex area of open futures positions, the application of Principle 14 would negatively affect the ability of CIPF to provide customer protection, if the CCP has custody of clients' assets and it does not vest in a trustee.
	A commenter expresses concern about the impact to IIROC members when applying Principle 14. Such members would not have the same degree of collateral available to them for their use, where there is a different margin requirement by the CCP vs. the clearing member.
	A commenter expresses concern about the operational issues and impacts related to a CCP undertaking the responsibility to move client assets, especially because the CCP may not have client account information which is held by a clearing member.

Theme/question[6]	Summary of comments
Customer account structures and transfer of positions and collateral Subparagraph 3.14(4)(a)(ii)	A commenter suggests to replace "or" with "and/or" to accommodate clearing members who clear for a combination of clients that include both individual and omnibus accounts.
Request Notice question 2: Do you agree with the current drafting approach of section 3.14 of the Rule, i.e., requiring all CCPs to meet Principle 14 in its entirety (without referencing the alternate approach), and granting exemptions on a case-by-case basis to those CCPs for which the alternate approach is appropriate?	Three commenters argue that CCPs serving the cash markets should not be required to obtain an "exemption" from section 3.14, as the wording of Principle 14 should be understood to allow, as a matter of course, the application of its "alternate approach" to cash market CCPs that provide the same protections as those envisioned by the Principle (as explained in PFMIs paragraph 3.14.6). The commenters express that an "exemption" may imply that the CCP employs a weaker approach to investor protection than that which is otherwise required by the PFMIs.
	A commenter is unsure whether timely portability could be achieved without supporting legislation to ensure a release of funds within a certain period.
Request Notice question 3: Should all CCPs serving the Canadian cash markets be able to avail themselves of the alternate approach to implementation of Principle 14? How could such CCPs demonstrate that customer assets and positions are protected to the same degree envisioned by Principle 14?	Three commenters conclude that cash market CCPs should be able to demonstrate how they fit within the alternate approach, if they satisfy the criteria set out in paragraph 3.4.16 of the PFMIs. The combination of IIROC rules, CIPF customer protection (that extends to all assets held in a customer's account, including securities, cash balances, commodities, futures contracts, segregated insurance funds or other property) and the Part XII *Bankruptcy and Insolvency Act* scheme, in the Canadian regulatory environment should be conducive to satisfying this alternate approach. At least one commenter feels that the alternate approach should extend to all CCPs not serving the OTC derivatives markets.
	Two commenters argue that unintended consequences would be severe if CCPs serving markets other than the OTC derivatives markets were not able to avail themselves of the alternate approach.
	A commenter describes several consequences that might arise if the alternate approach is unavailable for non-OTC market CCPs: (1) the efficiencies achieved by netting trades would be lost as segregation and portability requirements would force CCPs to decompose netted trades, thereby increasing costs to the CCP and reducing the risk reduction provided by netting; (2) costly changes would be required to the CCP's margining system, in order to margin positions at a gross level; (3) for CCPs without cross-product margining, the introduction of portability could result in higher margin requirements for legitimate market activity; (4) CCPs would have to develop a communication mechanism to inform investors of their collateral/positions in the event of a CCP participant insolvency; and (5) market participants would be negatively impacted by having to undertake significant reconciliation efforts, as each trade would have to be individually inspected to note the client and its corresponding collateral.
	A commenter suggests that CCPs could demonstrate their protection of customer assets and positions through disclosure of: (i) the nature of the information held in respect of individual clients; (ii) the roles and responsibilities of surviving participants under default scenarios; and (iii) the processes and procedures to be followed by the CCP and its surviving participants in these circumstances. It is also suggested that for CCPs obligated to test default management processes, the processes enabling portability of positions and collateral should also be tested.
Section 3.15 – General business risk	
Determining sufficiency of liquid net assets Subsection 3.15(3)	A commenter requests that the last sentence of PFMI key consideration 15.3 be included in section 3.15(3) in order to avoid duplicate capital requirements by permitting the inclusion of equity held under international risk-based capital standards, where appropriate.

Theme/question[6]	Summary of comments
Section 3.16 – Custody and investment risks	
Investment strategy Subsection 3.16(4)	A commenter is concerned that public disclosure of its investment strategies could negatively impact its ability to invest large amounts of cash on a daily basis. It requests that investment strategies only be disclosed at a high level and only to participants.
Section 3.17 – Operational risks	
Operational capacity, systems requirements, and incident management Paragraph 3.17(5)(e)	A commenter suggests that an alternative should be available for foreign-based recognized clearing agencies. It requests that this alternative be provided in the clearing agency's recognition order or 'notice and approval protocol'.
Operational capacity, systems requirements, and incident management Subsections 3.17(8), (9)	A commenter requests that public disclosure under these subsections not include detailed proprietary information.
Operational capacity, systems requirements, and incident management Subsection 3.17(11):	In respect of paragraph (b), one commenter suggests that the provision should allow a foreign-based recognized clearing agency to meet the requirement in a manner described in the terms and conditions of its recognition order or 'notice and approval protocol'. In respect of paragraph (c), one commenter expresses concern that the scope of this disclosure requirement is too broad. It suggests that it be narrowed to only include non-sensitive information that is not proprietary in nature.
Request Notice question 4: What are a clearing agency's current abilities and future prospects to meet the objective of recovering and resuming critical systems and processes within two hours of a disruptive event? Should recovery and resumption-time objectives differ according to critical importance of markets? Subparagraph 3.17(12)(c)(i)	A commenter requests further clarity with respect to whether (i) the ability of a clearing agency to meet the two hour requirement would impact how the requirement is applied, and (ii) whether more than two hours may be permitted, if necessary. The commenter notes that the proposed timeframe appears arbitrary and may not be the appropriate recovery objective in Canada.
	A commenter notes that recovery and resumption time objectives should not differ from market to market, based on critical importance.
Section 3.19 – Tiered participation arrangements	
Request Notice question 5: To what extent can a CCP identify and gather information about a tiered (indirect) participant? Section 3.19	A commenter requests further clarity as to whether (i) the ability of the clearing agency to meet the requirement would impact how the requirement is applied, and (ii) the type and extent of the information that would be required to be gathered.
	A commenter submits that it is challenging for Canadian CCPs to identify or gather meaningful information pertaining to indirect/tiered participants, due to the lack of legal or other contractual relationship between the CCP and the indirect participant, and more generally, because Canadian clearing models are founded on the 'principal model'. The model utilizes omnibus account structures which enable the CCP to distinguish proprietary and client assets, but more granular detail would be needed to permit the CCP to identify and measure the activity of indirect participants. CCPs have limited recourse to require the necessary information disclosures from indirect participants.
	A commenter notes that CCPs are able to gather sufficient information about their indirect participants to be able to manage the risks they pose.

Theme/question[6]	Summary of comments
Request Notice question 6: In Canada, what types of risks (such as credit, liquidity, and operational risks) arise in tiered participation arrangements between customers and direct participants or between customers and other intermediaries that provide clearing services to such customers?	A commenter agreed that all cited risks are present in tiered participation arrangements.
Request Notice question 7: How can a clearing agency properly manage the risks posed by tiered participation arrangements?	A commenter described that the control, mitigation and management of risks would require, at a minimum, the disclosure of client accounts and/or securities positions by direct CCP participants. Doing so would allow the CCP to meet the minimum standards of Principle 14 and would allow a CCP to modify or calibrate its risk model towards the effective management of the credit and liquidity risks that tiered participants introduce to the clearing system.
	A commenter suggests two layers of controls to help manage risks posed by tiered participation arrangements: (i) require the clearing agency to gather detailed information on the direct participant's customer activity in order to identify relationships and positions at the indirect participant level, and (ii) require the clearing agency to act on the information within a risk policy framework that identifies, signals and monitors risks and risk concentrations and which, where appropriate, provides incentives for participants to reduce these risks and concentrations.
Section 3.23 – Transparency	
Changes to rules and procedures Subsection 3.23(5)	A commenter requests that a clearing agency's disclosure of changes to its rules and procedures be limited to only what is required by its recognition order or 'notice and approval protocol'. It also expresses its belief that disclosure should be limited to services over which the regulatory authority possesses jurisdiction.
Part 5: Effective dates and transition	
Section 5.1	A commenter requests that, where a clearing agency has already carried out preparatory work or has dedicated resources to PFMIs implementation plans (that have been approved by its regulators), the transition periods should take such efforts into account. The commenter also requests that where the CSA's implementation of the PFMIs differ from CPSS-IOSCO, that the CSA provide a mechanism through which PFMI requirements that are substantively similar to the CSA requirements be grandfathered under the proposed Local Rule.
	In respect of the interaction of CSA Staff Notices 91-303 and 91-304, one commenter notes that there are significant operational implications and unknowns for customers, in terms of setting up procedures to deal with derivatives clearing agencies (DCAs) and clearing members. Accordingly, there will need to be transition time once DCAs are established and before all clearing requirements are implemented. The commenter also expresses concern that it is unclear how many DCAs will exist and how they will be differentiated, leading to the possibility that transactions that would otherwise net to zero may be required to clear at different derivatives clearing agencies, thereby resulting in exposures that are not being offset.
Subsection 5.1(2)	A commenter suggests that sections 3.4-3.7 should have the same effective date as CSA Staff Notices 91-303 and 91-304 in order to ensure customers have the protection of risk management tools when clearing trades.
Request Notice question 8: Are the above transition periods appropriate? If yes, please give your reasons. If not, what alternative transition periods would balance the CPSS-IOSCO's expectation of timely implementation of	A commenter notes that successful implementation under the proposed timeline may be difficult.

Theme/question[6]	Summary of comments
the PFMIs and the practical implementation needs of our markets? Subsection 5.1(3)	

1.2 Notices of Hearing

1.2.1 Sino-Forest Corporation et al. – ss. 127, 127.1

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

AND

IN THE MATTER OF
SINO-FOREST CORPORATION, ALLEN CHAN,
ALBERT IP, ALFRED C.T. HUNG, GEORGE HO,
SIMON YEUNG and DAVID HORSLEY

AND

IN THE MATTER OF
A SETTLEMENT AGREEMENT BETWEEN
STAFF AND DAVID HORSLEY

NOTICE OF HEARING
(Sections 127 and 127.1 of the Securities Act)

TAKE NOTICE THAT the Ontario Securities Commission (the "Commission") will hold a hearing pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") at the offices of the Commission at 20 Queen Street West, 17th Floor Hearing Room on July 21, 2014 at 10:00 a.m. or as soon thereafter as the hearing can be held;

AND TAKE NOTICE that the purpose of the hearing is for the Commission to consider whether it is in the public interest to approve a settlement agreement between Staff of the Commission and David Horsley;

BY REASON OF the allegations set out in the Statement of Allegations of Staff of the Commission dated May 22, 2012 and such further additional allegations as counsel may advise and the Commission may permit;

AND TAKE FURTHER NOTICE that any party to the proceedings may be represented by counsel at the hearing;

AND TAKE FURTHER NOTICE that upon failure of any party to attend at the time and place aforesaid, the hearing may proceed in the absence of that party and such party is not entitled to any further notice of the proceedings.

DATED at Toronto this 15th day of July, 2014

"Josée Turcotte"
Acting Secretary to the Commission

1.4 Notices from the Office of the Secretary

1.4.1 Rezwealth Financial Services Inc. et al.

FOR IMMEDIATE RELEASE
July 9, 2014

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

AND

IN THE MATTER OF
REZWEALTH FINANCIAL SERVICES INC.,
PAMELA RAMOUTAR, JUSTIN RAMOUTAR,
TIFFIN FINANCIAL CORPORATION, DANIEL TIFFIN,
2150129 ONTARIO INC., SYLVAN BLACKETT,
1778445 ONTARIO INC. and WILLOUGHBY SMITH

TORONTO – The Commission issued its Reasons and Decision on Sanctions and Costs and an Order in the above noted matter.

A copy of the Reasons and Decision on Sanctions and Costs and the Order dated July 8, 2014 are available at www.osc.gov.on.ca.

OFFICE OF THE SECRETARY
JOSÉE TURCOTTE
ACTING SECRETARY

For media inquiries:
media_inquiries@osc.gov.on.ca

Carolyn Shaw-Rimmington
Manager, Public Affairs
416-593-2361

Aly Vitunski
Senior Media Relations Specialist
416-593-8263

Alison Ford
Media Relations Specialist
416-593-8307

For investor inquiries:

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

1.4.2 Pro-Financial Asset Management Inc.

FOR IMMEDIATE RELEASE
July 15, 2014

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

AND

IN THE MATTER OF
PRO-FINANCIAL ASSET MANAGEMENT INC.

TORONTO – The Commission issued an Order in the above named matter which provides that:

1. The hearing is adjourned to August 8, 2014 at 10:00 a.m.

2. The Temporary Order as amended by previous Commission orders is extended to August 11, 2014.

A copy of the Order dated July 9, 2014 is available at www.osc.gov.on.ca.

OFFICE OF THE SECRETARY
JOSÉE TURCOTTE
ACTING SECRETARY

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1.4.3 Sino-Forest Corporation et al.

FOR IMMEDIATE RELEASE
July 15, 2014

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

AND

IN THE MATTER OF
SINO-FOREST CORPORATION, ALLEN CHAN, ALBERT IP, ALFRED C.T. HUNG, GEORGE HO, SIMON YEUNG and DAVID HORSLEY

AND

IN THE MATTER OF
A SETTLEMENT AGREEMENT BETWEEN STAFF AND DAVID HORSLEY

TORONTO – The Office of the Secretary issued a Notice of Hearing for a hearing to consider whether it is in the public interest to approve a settlement agreement entered into by Staff of the Commission and David Horsley in the above named matter.

The hearing will be held on July 21, 2014 at 10:00 a.m. in Hearing Room B on the 17th floor of the Commission's office located at 20 Queen Street West, Toronto.

A copy of the Notice of Hearing dated July 15, 2014 is available at www.osc.gov.on.ca.

OFFICE OF THE SECRETARY
JOSÉE TURCOTTE
ACTING SECRETARY

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Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 I.G. Investment Management, Ltd. et al.

Headnote

National Policy 11-203 – Process for Exemptive Relief Applications in Multiple Jurisdictions – relief from the requirement to obtain the prior approval of securityholders before changing the fundamental investment objective of certain funds – relief required as a result of changes to federal budget eliminating certain tax benefits associated with character conversion transactions – filer required to send written notice at least 60 days before the effective date of the change to the investment objective of the Fund setting out the change, the reasons for such change and a statement that the funds will no longer be able to provide tax-advantaged returns after the expiration of the funds' forward contracts – National Instrument 81-102 Mutual Funds.

Statutes Cited

National Instrument 81-102 Mutual Funds, ss. 5.5(1)(b), 19.1.

June 23, 2014

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

AND

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

AND

IN THE MATTER OF
I.G. INVESTMENT MANAGEMENT, LTD.
("IGIM")

AND

IN THE MATTER OF
INVESTORS CAPITAL YIELD CLASS and
INVESTORS SHORT TERM CAPITAL YIELD CLASS
(each, a "Class" and, collectively the "Classes")

DECISION

Background

The securities regulatory authority or regulator in each of the Jurisdictions (the "Decision Maker") has received an application from IGIM on behalf of the Classes for a decision under the securities legislation of the Jurisdictions (the "Legislation") for relief under Section 19.1 of National Instrument 81-102 ("NI 81-102") from the requirements of Subsection 5.1(c) of NI 81-102 in order to permit the Classes to change their fundamental investment objectives without obtaining the prior approval of the shareholders of the Classes (the "Requested Relief").

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

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

(b) IGIM 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, Quebec, New Brunswick, Nova Scotia, Prince Edward island, Newfoundland & Labrador, Yukon, Northwest Territories and Nunavut; and

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

Interpretation

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

Representations

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

1. IGIM is a corporation continued under the laws of Ontario and it manages the Classes and the Reference Funds and is not in default of any of the requirements under the Legislation. The head office of IGIM is in Winnipeg, Manitoba. Each of the Classes and Reference Funds is distributed in Manitoba and the other Jurisdictions.

2. Each of the Classes is a separate class of shares issued by Investors Group Corporate Class Inc. ("IGCC"), a corporation governed by the *Canada Business Corporations Act* and are not in default of any of the requirements under the Legislation.

3. Each of the Reference Funds is a trust established under the laws of the Province of Manitoba.

4. IGCC and the Reference Funds are reporting issuers in each of the provinces and territories of Canada and are not in default of any of the requirements under the Legislation.

5. The shares of the Classes are qualified for distribution in each province and territory of Canada pursuant to:

   (a) the Investors Group Corporate Class Inc. Simplified Prospectus, Annual Information Form and Fund Facts for Series A, B, JDSC, JNL, TDSC and TNL Shares of both Investors Capital Yield Class and Investors Short Term Capital Yield Class (the "IGCC Prospectus"); and

   (b) the *iProfile* Funds Simplified Prospectus, Annual Information Form and Fund Facts for Series I and TI Shares of Investors Capital Yield Class (the "*iProfile* Prospectus").

   In compliance with National Instrument 81-101, *Mutual Fund Prospectus Disclosure* ("NI 81-101"). A final receipt has been issued under MRRS by The Manitoba Securities Commission on behalf of all Jurisdictions for:

   (c) the current IGCC Prospectus dated June 30, 2013 (SEDAR Project #2063705); and

   (d) the current *iProfile* Prospectus dated June 30, 2013 (SEDAR Project #2064061).

   Renewals of the IGCC Prospectus and *iProfile* Prospectus will be filed on or about May 29, 2014 (pro forma) and on or about June 30, 2014 (collectively, the IGCC Prospectus, the *iProfile* Prospectus and the Renewals are referred to as the "Prospectuses").

6. The Reference Funds do not distribute securities to retail investors and do not have a current prospectus.

7. The investment objectives of the Classes, as currently stated in the IGCC Prospectus (and for Investors Capital Yield Class in the *iProfile* Prospectus), are:

   (a) for Investors Capital Yield Class:

   > The Class aims to provide a return similar to that of an intermediate-term Canadian fixed income fund.
   >
   > The Class aims to achieve this objective by investing in equity securities and entering into Forward Contracts in order to provide the Class with a return similar to what would be achieved by an investment directly in units of *Investors Group Income Fund*, an Investors

Group sponsored fund that is not otherwise offered to the public and which aims to generate income by investing primarily in Canadian corporate and government fixed income securities with average terms to maturity primarily concentrated between five and ten years. The forward price will be determined with reference to the net asset value of the units of *Investors Group Income Fund*. The Class expects that the earnings derived from those Forward Contracts will be treated as capital gains and if distributed to security holders, will be capital gains Dividends for tax purposes.

Preservation of capital is also considered to be an important factor in the management of the portfolio of the Class.

The Class may also seek to achieve its objective by investing directly in fixed income securities which may include preferred shares or asset-backed debt securities with average terms to maturity primarily concentrated between five and ten years.

Other than with respect to return of capital distributions on Series T Shares and Series TJ Shares [or Series TI Shares in the case of the *iProfile* Prospectus], this Class does not intend to provide a steady flow of income, and distributions of *Investors Group Income Fund* are expected to be reflected in the forward prices.

The investment objective of the Class may not be changed without the prior approval of the majority of its Shareholders who vote at a meeting called for that purpose, except when a change is required because of changes in the law.

(b) for Investors Short Term Capital Yield Class:

The Class aims to provide a return similar to that of a short-term Canadian fixed income fund.

The Class aims to achieve this objective by investing in equity securities and entering into Forward Contracts in order to provide the Class with a return similar to what would be achieved by an investment directly in units of *Investors Group Short Term Income Fund*, an Investors Group sponsored fund that is not otherwise offered to the public and which aims to generate income by investing primarily in Canadian corporate and government fixed income securities with average terms to maturity primarily concentrated between one and five years. The forward price will be determined with reference to the net asset value of the units of *Investors Group Short Term Income Fund*. The Class expects that the earnings derived from those Forward Contracts will be treated as capital gains and if distributed to security holders, will be capital gains Dividends for tax purposes.

Preservation of capital is also considered to be an important factor in the management of the Portfolio.

The Class may also seek to achieve its objective by investing directly in fixed income securities which may include preferred shares or asset-backed debt securities with average terms to maturity primarily concentrated between one and five years.

Other than with respect to return of capital distributions on Series T Shares and Series TJ Shares, this Class does not intend to provide a steady flow of income, and distributions of *Investors Group Short Term Income Fund* are expected to be reflected in the forward prices.

The investment objective of the Class may not be changed without the prior approval of the majority of its Shareholders who vote at a meeting called for that purpose, except when a change is required because of changes in the law.

8. Since their inception, the Classes have each, from time to time, invested a portion of their assets in a portfolio of equity securities (the “Equity Portfolio”) and entered into a forward contract with a counterparty (the “Forward Contract”) whereby the Classes agreed to deliver the applicable Equity Portfolio to the counterparty at maturity of the Forward Contract in return for a cash payment determined by reference to the net asset value of the applicable Reference Fund. In this way, Shareholders in the Classes have received a return on their investment based on the performance of the applicable Reference Fund, with tax benefits that could be achieved through Forward Contracts.

9. The Tax Act was amended in 2013 to include new rules that eliminated the tax-related benefits associated with the Capital Yield Classes, subject to transitional and grandfathering rules (the "Tax Changes").

10. As a result of the Tax Changes, IGCC closed the Capital Yield Classes to further investment in 2013, other than:

    (a) investments through pre-authorized investment plans by current Shareholders of the Capital Yield Classes,

    (b) reinvestment of Dividends and return of capital distributions, and

    (c) switches between Series of the applicable Capital Yield Class.

11. IGIM wishes to amend the fundamental investment objectives of the Classes to remove all references to Forward Contracts and the Reference Funds effective September 23, 2014 without obtaining the prior approval of the Shareholders of the Classes and, if the Requested Relief is granted, the revised fundamental investment objectives of the Classes will be as follows:

    (a) for Investors Capital Yield Class:

Investment objective

The Class aims to provide long-term capital growth by investing primarily in intermediate-term Canadian fixed income securities. Preservation of capital is also considered to be an important factor in the management of the portfolio.

Other than with respect to return of capital distributions on [Fixed Distribution Series/Series TI Shares – *dependent on whether in IGCC Prospectus or iProfile Prospectus*], the Class does not intend to provide a steady cash-flow.

The investment objective of the Class may not be changed without the prior approval of the majority of its Shareholders who vote at a meeting called for that purpose, except when a change is required because of changes in the law.

Investment strategies

The Class will seek to achieve its objective by investing in fixed income securities which may include preferred shares or asset-backed debt securities with average terms to maturity primarily concentrated between five and ten years.

Generally speaking, it is the Class' intention that its investment in foreign securities will range from 0% to 30% of its assets, but the Class may invest up to 50% of its assets in foreign securities from time to time.

The Class may engage in Securities Lending, Repurchase and Reverse Repurchase Transactions and use Derivatives. These transactions and Derivatives will be used in conjunction with the Class' other investment strategies in a manner considered most appropriate to achieving the Class' overall investment objective and enhancing the Class' returns as permitted by the Rules.

    (b) for Investors Short Term Capital Yield Class:

Investment objective

The Class aims to provide long-term capital growth by investing primarily in short-term Canadian fixed income securities. Preservation of capital is also considered to be an important factor in the management of the portfolio.

Other than with respect to return of capital distributions on Fixed Distribution Series, the Class does not intend to provide a steady cash-flow.

The investment objective of the Class may not be changed without the prior approval of the majority of its Shareholders who vote at a meeting called for that purpose, except when a change is required because of changes in the law.

Investment strategies

The Class will seek to achieve its objective by investing in fixed income securities which may include preferred shares or asset-backed debt securities with average terms to maturity primarily concentrated between one and five years.

Generally speaking, it is the Class' intention that its investment in foreign securities will range from 0% to 30% of its assets, but the Class may invest up to 50% of its assets in foreign securities from time to time.

The Class may engage in Securities Lending, Repurchase and Reverse Repurchase Transactions and use Derivatives. These transactions and Derivatives will be used in conjunction with the Class' other investment strategies in a manner considered most appropriate to achieving the Class' overall investment objective and enhancing the Class' returns as permitted by the Rules.

12. Each Class has been operating as a long term growth fund instead of paying out distributions to its Shareholders. The references to providing long term capital growth in the revised fundamental investment objective of each Class merely clarifies the existing objective of each Class.

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 Requested Relief is granted provided that, at least 60 days before the effective date of the change of the fundamental investment objectives, IGIM sends to each Shareholder of the Classes a written notice that sets out the change of fundamental investment objectives, the reasons for such change and a statement that the Classes will no longer be able to provide tax-advantaged returns after the expiration of the Forward Contracts.

"Chris Besko"
Acting Director
Manitoba Securities Commission

2.1.2 Cancor Mines Inc. – s. 1(10)(a)(ii)

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Issuer deemed to no longer 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).

July 3, 2014

Cancor Mines Inc.
110, Crémazie Blvd. West,Suite 430
Montréal, Québec H2P 1B9

Attention: Mr. Ercan Ugur

Dear Sir:

Re: Cancor Mines Inc. (the Applicant) – application for a decision under the securities legislation of Québec, Ontario and Alberta (the "Jurisdictions") that the Applicant is not a reporting issuer

The Applicant has applied to the local securities regulatory authority or regulator (the "Decision Maker") in each of the Jurisdictions for a decision under the securities legislation (the "Legislation") of the Jurisdictions that the Applicant is not a reporting issuer.

In this decision, "securityholder" means, for a security, the beneficial owner of the security.

The Applicant has represented to the Decision Makers that:

(a) the outstanding securities of the Applicant, 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;

(b) no securities of the Applicant, including debt securities, are traded in Canada or another country on a marketplace as defined in *Regulation 21-101 respecting Marketplace Operation* or any other facility for bringing together buyers and sellers of securities where trading data is publicly reported;

(c) the Applicant is applying for a decision that it is not a reporting issuer in all of the jurisdictions of Canada in which it is currently a reporting issuer; and

(d) the Applicant is not in default of any of its obligations under the Legislation as a reporting issuer.

Each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the decision has been met and orders that the Applicant's status as a reporting issuer is revoked.

"Martin Latulippe"
Director Continuous Disclosure
Autorité des marchés financiers

2.1.3 Diversinet Corp.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – application for a decision that the issuer is not a reporting issuer under applicable securities laws – issuer in default of certain obligations as a reporting issuer under applicable securities laws – outstanding securities are beneficially owned, directly or indirectly by more than 15 security holders in Ontario and more than 51 security holders worldwide – issuer currently in the process of a voluntary dissolution supervised by the Superior Court of Ontario – issuer has issued a press release announcing that it has submitted an application to cease to be a reporting issuer – requested relief granted.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., s. 1(10)(a)(ii).
CSA Staff Notice 12-307 Applications for a Decision that an Issuer is not a Reporting Issuer.

July 8, 2014

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA, ALBERTA, AND ONTARIO
(THE "JURISDICTIONS")

AND

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

AND

IN THE MATTER OF
DIVERSINET CORP.
(THE "FILER")

DECISION

Background

The securities regulatory authority or regulator in each of the Jurisdictions (the "**Decision Maker**") has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the "**Legislation**") that the Filer is deemed to have ceased to be a reporting issuer (the "**Exemptive Relief Sought**").

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

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

(b) the decision is the decision of the principal regulator and evidences the decision of each other Decision Maker.

Interpretation

Terms defined in National Instrument 14-101 **Definitions** and MI 11-102 **Passport System** 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 governed by the *Business Corporations Act* (Ontario) (the "**OBCA**") with its registered address located at 2235 Sheppard Avenue East, Suite 1700, Toronto, Ontario M2J 5B5.

2. The Filer is a reporting issuer in the Provinces of Ontario, British Columbia and Alberta.

3. On August 9, 2013, the Filer announced a voluntary winding-up pursuant to the OBCA.

4. Effective at the close of business on August 13, 2013, the common shares of the Filer were delisted from TSX Venture Exchange.

5. The Filer's authorized share capital consists of an unlimited number of common shares (the "**Shares**"), of which 43,721,847 Shares are issued and outstanding. Other than the Shares, the Filer has no other securities issued and outstanding.

6. A geographical breakdown of the Filer's registered shareholders, based on a report dated June 19, 2014 provided by Filer's transfer agent, Computershare Investor Services Inc., (the "**Report**") is as follows:

   (a) the Filer has 191 registered shareholders holding 43,721,847 Shares;

   (b) the Filer has 52 registered shareholders in Canada, 134 in the United States and 5 in foreign jurisdictions; and

   (c) all of the Canadian registered shareholders reside in Ontario and hold collectively 22,569,206 Shares, representing 51.62% of the Filer's outstanding Shares.

7. As of the date of this decision, the Filer is in default of its obligations under National Instrument 52-110 *Audit Committees* to have an audit committee. The Filer is also in default for failing to file its interim financial statements and related management's discussion and analysis for the periods ended September 31, 2013 and March 31, 2014, as well as its annual financial statements and related management's discussion and analysis for the year ended December 31, 2013 as required under National Instrument 51-102 – *Continuous Disclosure Obligations*, and the related certification of such financial statements and management's discussion and analysis as required under National Instrument 52-109 – *Certification of Disclosure in Filers' Annual and Interim Filings* (collectively, the "**Defaults**").

8. The Filer is not eligible to use the procedure to voluntarily surrender its reporting issuer status in British Columbia pursuant to BC Instrument 11-502 *Voluntary Surrender of Reporting Issuer Status* because the Filer has more than 50 security holders.

9. The Filer is not eligible to file under the simplified procedure in CSA Staff Notice 12- 307 *Applications for a Decision that an Issuer is not a Reporting Issuer* ("**CSA Notice 12-307**") because the Filer has more than 51 security holders in certain jurisdictions and in total worldwide and because of the Defaults.

10. At the annual and special meeting of shareholders of the Filer held on September 11, 2013 (the "**Special Meeting**"), the shareholders approved a special resolution authorizing the sale of substantially all of the assets of the Filer (the "**Sale Resolution**"). A total of 99.80% of the votes cast at the Special Meeting were in favour of the Sale Resolution.

11. At the Special Meeting, the shareholders approved a special resolution authorizing the formal winding-up of the Filer and the distribution of its remaining assets to shareholders (the "**Winding Up Resolution**") pursuant to a Plan of Liquidation and Distribution (the "**Liquidation Plan**"). A total of 99.79% of the votes cast at the Special Meeting were in favour of the Winding Up Resolution.

12. Duff & Phelps Canada Restructuring Inc. (the "**Liquidator**") was appointed the liquidator of the estate and effects of the Filer for the purpose of winding-up its business and affairs and distributing its assets.

13. The Liquidation Plan was approved by the board of directors of the Filer and became effective on September 23, 2013.

14. On October 18, 2013, the winding-up order and claims procedure order were approved by the Ontario Superior Court of Justice (Commercial List) (the "**Court**") for a voluntary winding-up of the Filer pursuant to the Liquidation Plan in accordance with the OBCA. Pursuant to the winding-up order, the court ordered that the Filer and the Liquidator are not required to produce or place before the Filer's shareholders any further financial statements as required under subsections 154(1) and 160(1) of the OBCA or otherwise and that the Filer and the Liquidator are exempt from the requirements of Part XII of the OBCA regarding the appointment and duties of an auditor.

15. Pursuant to the Liquidation Plan:

   (a) a process established by the Liquidator and approved by the Court was initiated for the identification, resolution and barring of certain claims against the Filer (the "**Claims Process**");

   (b) all of the powers of the board of directors of the Filer have ceased and the directors have been deemed to have resigned; and

(c) certain former members of the Board and/or former officers of the Filer, namely David Hackett, Albert Wahbe and Jay Wigdale (the "**Inspectors**"), were appointed inspectors of the Filer pursuant to Section 194 of the OBCA and Section 6.1 of the Liquidation Plan.

16. Pursuant to paragraph 4.2(c) of the Liquidation Plan, the Liquidator was to maintain the listing of the common shares on the OTCQB marketplace, operated by the OTC Markets Group (the "**OTCQB**"), until the Completion of the Claims Process (as defined herein).

17. By press release issued on December 2, 2013, the Filer announced that the final day for trading in the Shares on the OTCQB would be on or about December 16, 2013.

18. On December 16, 2013, the Claims Process was completed ("**Completion of the Claims Process**") and the Filer's shares were delisted from the OTCQB effective prior to the open of markets on December 17, 2013. As a result, the Filer's shares are no longer listed, traded or quoted for trading on any "marketplace" in Canada or elsewhere (as defined in National Instrument 21-101 *Marketplace Operation*), and the Filer does not intend to have any of its securities listed, traded or quoted on such a marketplace in Canada or any other jurisdiction.

19. Pursuant to paragraph 4.2(e) of the Liquidation Plan, transfers of the Shares made after December 16, 2013 are void unless made with the explicit sanction of the Liquidator. The Liquidator will not sanction any share transfers unless, in the opinion of the Liquidator, material extenuating circumstances exist and such circumstances can be evidenced to the Liquidator in a manner satisfactory to the Liquidator. Notwithstanding the foregoing, the Liquidator has maintained and reserved the right not to sanction any share transfers regardless of the circumstances.

20. To facilitate this restriction on transfer, the Liquidator applied to CDS Clearing and Depository Services Inc. ("**CDS**") and Depository Trust & Clearing Corporation ("**DTCC**") requesting that they place a restriction on the Common Shares so that no transfers among participants may occur after the Completion of the Claims Process.

21. On December 16, 2013, CDS published a bulletin announcing that the Common Shares would be fully restricted in CDS as of opening of business on December 17, 2013. On December 19, 2013 DTCC published a bulletin announcing that the Shares would be fully restricted in DTCC as of opening of business on December 20, 2013.

22. By press release issued on December 2, 2013, the Filer announced that it had applied to the OSC, as principal regulator, for a decision under the securities legislation of Ontario, Alberta and British Columbia that the Filer has ceased to be a reporting issuer.

23. The Filer has no current intention to seek public financing by way of an offering of securities.

24. As a result of the appointment of the Liquidator and the Inspectors, the Filer is no longer able to satisfy any of the requirements pertaining to boards of directors and committees thereof.

25. The Liquidator is required by the Liquidation Plan to report to the Filer's shareholders with respect to all matters relating to the assets, the Filer and such other matters as may be relevant to the Liquidation Plan. The Liquidator intends to issue a press release and/or report to the Court when the timing and quantum of shareholder distributions are determined. All such materials will be posted on the Liquidator's website.

26. The Liquidator has established a website in respect of the winding-up proceedings where it intends to continue to post information and, where considered advisable, will continue to issue press releases. In accordance with the Liquidation Plan and the Court Orders issued on October 18, 2013, the Liquidator will continue to report to the shareholders of the Filer on the Liquidation Plan at such times and intervals as the Liquidator may deem appropriate. In addition, the Liquidator will report to the Court from time to time with respect to its administration of the winding-up proceedings.

27. The Filer has ceased exercising commercial activity of any kind and will be dissolved after the Claims Process is complete, all claims are resolved, tax clearance certificates are issued in accordance with the *Income Tax Act* and all assets are distributed. The Liquidator has filed a report with the Court on October 4, 2013, which, *inter alia*, summarized the financial situation of the Filer and the contemplated process and timing by which the Shares would be delisted. A copy of that report is publicly available on the Liquidator's website.

28. The remaining assets of the Filer consist primarily of cash (approximately US$3.5 million) with some accounts receivables (approximately $150,000) owing from Mihealth Global Systems Inc. The Filer has no other assets.

29. The Filer, upon the granting of the Exemptive Relief Sought, will no longer be a reporting issuer or the equivalent in any jurisdiction in Canada.

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 Exemptive Relief Sought is granted.

"Vern Krishna"
Ontario Securities Commission

"Edward P. Kerwin"
Ontario Securities Commission

2.1.4 Credit Suisse Securities (Canada), Inc. and Credit Suisse Securities (USA) LLC

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Application for a decision to amend a previous decision to extend a sunset provision and to vary a condition in the previous decision – application filed by an investment dealer/Investment Industry Regulatory Organization of Canada (IIROC) member and affiliated exempt market dealer (EMD) that is registered as a broker-dealer with the U.S. Securities and Exchange Commission (the SEC) – previous decision granted relief, subject to a sunset provision, from the restrictions contained in paragraph 4.1(1)(b) of NI 31-103 Registration Requirements, Exemptions, and Ongoing Registrant Obligations (NI 31-103) to permit up to twenty (20) registered dealing representatives of the EMD to be registered with the investment dealer and act as dealing representatives (the Dual Registration) – previous decision varied to extend the sunset provision to the earlier of the date on which amendments to NI 31-103 come into force limiting brokerage activities in which EMDs or restricted dealers may engage or December 31, 2015 – previous decision amended to clarify that registered individuals of investment dealer may also deal with "retail clients", provided that they act solely in the capacity of registered individuals of the investment dealer when dealing with retail clients – registered individuals who are also representatives of the EMD, and therefore require the Dual Registration relief, will continue to only be able to rely on this relief when dealing with institutional customers.

Applicable Legislative Provisions

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

July 10, 2014

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
CREDIT SUISSE SECURITIES (CANADA), INC.
(CSSC)

AND

CREDIT SUISSE SECURITIES (USA) LLC
(CSSU and, together with CSSC, the Filers)

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filers for a decision under the securities legislation of the Jurisdiction (the **Legislation**) pursuant to section 15.1 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**NI 31-103**) to vary the previous decision of the principal regulator made under section 15.1 of NI 31-103 entitled *Re Credit Suisse Securities (Canada) Inc. and Credit Suisse Securities (USA) LLC* dated September 12, 2012 (the **Previous Decision**) in accordance with the Requested Amendment Relief (as described below).

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

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

(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 Alberta, New Brunswick, Newfoundland And Labrador, Nova Scotia,

Prince Edward Island, Québec, Saskatchewan, the Northwest Territories, Nunavut Territory, and the Yukon Territory (with Ontario, the **Jurisdictions**).

Interpretation

Defined terms contained in National Instrument 14-101 *Definitions* or the Previous Decision have the same meaning in this decision unless they are otherwise defined in this decision (the **Decision**).

Representations

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

1. CSSC is a corporation formed under the laws of Ontario, and its head office is located at 1 First Canadian Place, Suite 2900, Toronto, Ontario, M5X 1C9.

2. CSSC is registered as an investment dealer in each of the Jurisdictions and is a member of the Investment Industry Regulatory Organization of Canada (**IIROC**). It is also a futures commission merchant in Ontario and a derivatives dealer in Quebec. CSSC is a participating organization or member of the Toronto Stock Exchange, TSX Venture Exchange and Montreal Exchange and other electronic markets. CSSC is a member of the Canadian Derivatives Clearing Corporation.

3. CSSC has restricted its investment dealer registration to only institutional customers as defined under IIROC Rule 1 (**institutional customers**). However, as explained below, CSSC is in the process of expanding its dealer and adviser businesses to clients that are "retail customers" as defined under IIROC Rule 1 (**retail customers**).

4. CSSC does not conduct business activities outside of Canada, is not a member of any foreign marketplaces, is not a participant in any foreign clearing or depository organizations, and does not have the ability to settle trades in foreign securities that are not listed on a Canadian marketplace.

5. CSSU is a limited liability corporation incorporated under the laws of the State of Delaware, and its head office is located at 11 Madison Avenue, New York, NY 10010.

6. CSSU is registered as a broker-dealer and investment adviser with the United States Securities and Exchange Commission, and is a member of the Financial Industry Regulatory Authority. CSSU is a member of major securities exchanges, including the NASDAQ OMX, the Chicago Stock Exchange, NYSE Euronext, and the Philadelphia Stock Exchange.

7. CSSU is registered as a Futures Commission Merchant with the U.S. Commodity Futures Trading Commission, and is a member of the National Futures Association.

8. CSSU is a Foreign Approved Participant of the Montreal Exchange and a Trading Participant of ICE Futures Canada, Inc. CSSU is also a member of the CME Group (including the Chicago Board of Trade), ICE Futures U.S., Inc., and other principal U.S. commodity exchanges, and trades through affiliated or unaffiliated member firms on all other exchanges, including exchanges in Canada, France, Italy, Japan, Singapore, Spain, Taiwan, Mexico, Korea and the United Kingdom.

9. CSSU is currently registered as an exempt market dealer (**EMD**) in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Newfoundland & Labrador, New Brunswick, Nova Scotia and Prince Edward Island.

10. CSSU also relies on the international dealer exemption under section 8.18 of NI 31-103 and the international adviser exemption under section 8.26 of NI 31-103 in Alberta, Saskatchewan, Ontario, Québec, Newfoundland & Labrador, New Brunswick, Nova Scotia and Prince Edward Island.

11. CSSU provides a variety of capital raising, investment banking, market making, brokerage, and advisory services, including fixed income and equity sales and research, commodities trading, foreign exchange trading, emerging markets activities, securities lending, investment banking and derivatives dealing for governments, corporate and financial institutions. CSSU also conducts proprietary trading activities.

12. CSSU relies on CSSC to access, and trade on, Canadian marketplaces.

13. The Filers are indirect wholly owned subsidiaries of Credit Suisse Group AG, a Swiss corporation. The Filers are affiliates and each provides different trading services.

14. The Filers are subject to the restrictions and requirements in Part 13 of NI 31-103 regarding conflict of interest matters.

15. The Filers are not, to the best of their knowledge, in default of any requirement of securities legislation in any of the Jurisdictions.

16. On September 12, 2012, the Filers obtained exemptive relief, namely the Previous Decision, from the restrictions under paragraph 4.1(1)(b) of NI 31-103 to permit CSSU's current and future registered dealing representatives to be registered with CSSC and to act as dealing and/or advising representatives of CSSC (the **Dual Registration**).

17. The Previous Decision provided relief from the restrictions on Dual Registration subject to the following conditions:

    (a) the Dual Registration is granted for so long as all Canadian clients of CSSC are "institutional customers" within the meaning of IIROC Rule 2700;

    (b) the Dual Registration relief shall immediately expire upon the earlier of:

        (i) the effective date that amendments to NI 31-103 are made, if any, which limit the activities an EMD can conduct so that CSSU would be required to register as an investment dealer and become a member of IIROC as contemplated in CSA Staff Notice 31-331 *Follow-Up to Broker-Dealer Registration in the Exempt Market Dealer Category*; and

        (ii) two (2) years from the date of this decision.

18. CSSC is in the process of expanding its dealer and adviser businesses to clients that are retail customers.

19. The Filers now wish to amend the Previous Decision to state that CSSC will be dealing with both retail customers and institutional customers provided that registered individuals of CSSC who are also registered individuals of CSSU, and therefore rely on the Previous Decision for relief from the restrictions contained in Part 4 of NI 31-103, will only deal with institutional customers in the context of the Dual Registration when acting in the capacity of a registered individual of CSSU. To the extent any of the registered individuals of CSSC deal with clients who are retail customers, they will be acting solely in the capacity of a registered individual of CSSC. Registered individuals of CSSC who are also registered individuals of CSSU will only open accounts for institutional customers in the context of the Dual Registration.

20. In December 2013, the Canadian Securities Administrators (the **CSA**) published for comment proposed amendments to NI 31-103 that are intended, among other things, to address perceived concerns relating to foreign broker-dealers engaging in brokerage activities in Canada through the exempt market dealer (**EMD**) category, as described in CSA Staff Notice 31-327 *Broker-Dealer Registration in the Exempt Market Dealer Category*. In view of the fact that the proposed amendments to NI 31-103 have not yet been published in final form, and may not come into force until late 2014 or early 2015, the Filers have requested a short extension of the sunset provision to the earlier of

    (a) the date on which amendments to NI 31-103 come into force limiting the brokerage activities in which EMDs or restricted dealers may engage; and

    (b) December 31, 2015.

21. Accordingly, the Filers have requested that the "Decision" section of the Previous Decision be deleted and replaced by the following new paragraphs (the **Requested Amendment Relief**):

    (a) the Dual Registration is granted for so long as all Canadian clients of CSSC are institutional customers; provided that, on and after the date of IIROC approval of the retail customer business of CSSC, CSSC may also open accounts for retail customers so long as registered individuals of CSSC who are also representatives of CSSU will only open accounts for or otherwise deal with institutional customers in the context of the Dual Registration;

    (b) the Dual Registration relief shall immediately expire upon the earlier of:

        (i) the date on which amendments to NI 31-103 come into force limiting the brokerage activities in which EMDs or restricted dealers may engage; and

        (ii) December 31, 2015.

22. This decision is based on the same representations made by the Filer in the Previous Decision and which remain true and complete.

Decision

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

It is the decision of the principal regulator that the Requested Amendment Relief is granted.

"Debra Foubert"
Director, Compliance and Registrant Regulation
Ontario Securities Commission

2.1.5 National Bank Financial Inc. and NBCN Inc.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – paragraph 4.1(1)(b) of National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations – a registered firm must not permit an individual to act as a dealing, advising or associate advising representative of the registered firm if the individual is registered as a dealing, advising or associate advising representative of another registered firm – the firms are affiliated entities and have valid business reasons for the representatives to be registered with both firms – policies in place to handle potential conflicts of interest – institutional clients provided disclosure regarding the dual registrations.

Applicable Legislative Provisions

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

July 11, 2014

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

AND

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

AND

IN THE MATTER OF
NATIONAL BANK FINANCIAL INC.
("NBFI")

AND

NBCN INC.
("NBCN" and, together with NBFI, the "Filers")

DECISIONS

Background

The securities regulatory authority or regulator in each of the Jurisdictions ("**Decision Maker**") has received an application from the Filers for decisions under the securities legislation of the Jurisdictions (the "**Legislation**") for relief from the requirement in paragraph 4.1 (1) (b) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* ("**NI 31-103**"), pursuant to section 15.1 of NI 31-103 that the Filers must not permit their respective dealing representatives to act as dealing representatives of their firm if such dealing representatives are registered as dealing representatives of the other Filer, and instead seek to be allowed, in connection with the implementation of a proposed internal reorganization, to permit their respective current and future dealing representatives who process trades and interact solely with other dealing representatives and institutional clients of the Filers, to act as dealing representatives of their firm if such dealing representatives are registered as dealing representatives of the other Filer (the "**Exemption Sought**").

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

(a) The *Autorité des marchés financiers* is the principal regulator of NBFI and the Ontario Securities Commission is the principal regulator of NBCN;

(b) The Filers have provided notice that subsection 4.7(1) of Multilateral Instrument 11-102 P*assport System* ("**MI 11-102**") is intended to be relied upon in all of the other Canadian jurisdictions (all such jurisdictions together with the provinces of Québec and Ontario, the "**Filing Jurisdictions**"); and

(c) The decisions are the decisions of the principal regulators and evidence the decisions of the securities regulatory authority or regulator in all Canadian jurisdictions.

Interpretation

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

Representations

These decisions are based on the following facts represented by the Filers:

1. NBFI is a corporation incorporated under the laws of the Province of Québec. The head office of NBFI is located in Montréal, Québec.

2. NBFI is an indirectly wholly-owned subsidiary of National Bank of Canada ("**National Bank**").

3. NBFI is registered as an investment dealer in every jurisdiction of Canada; it is a member of the Investment Industry Regulatory Organization of Canada ("**IIROC**"), the TSX Venture Exchange ("**TSX-V**"), the Montreal Exchange, TMX Select, TMX Alpha Exchange and the Canadian National Stock Exchange, is an approved participant of the Montreal Exchange, and is a participating organization of the Toronto Stock Exchange ("**TSX**"). NBFI is also registered as a derivatives dealer in Québec.

4. NBCN is a corporation incorporated under the laws of the Province of Nova Scotia and continued under the laws of Canada. The head office of NBCN is located in Toronto, Ontario.

5. NBCN is a wholly-owned subsidiary of NBFI and, as a result, is also an indirectly wholly-owned subsidiary of National Bank.

6. NBCN is registered as an investment dealer in every jurisdiction of Canada; it is a member of IIROC and the TSX-V, and is a participating organization of the TSX. NBCN is also registered as a derivatives dealer in Québec.

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

8. For various business and other reasons, National Bank has historically caused, and continues to require, its securities brokerage business to be conducted through three registrants, whereby NBFI conducts an institutional and retail brokerage business (retail brokerage is limited to the provinces of Québec and New Brunswick), National Bank Financial Ltd. (**NBFL**) conducts retail brokerage business in all jurisdictions other than the provinces of Québec and New Brunswick and NBCN conducts a custody and brokerage services business for institutional clients that include third party IIROC member firms and registered portfolio managers.

9. As members of IIROC, and affiliates of each other, each of the Filers and NBFL have cross-guaranteed the obligations of the other to their respective clients.

10. Among other services, NBFI offers trade execution services to retail clients through the operation of an equity trading desk, an equity options trading desk and a fixed income distribution desk (the "**NBFI Desks**"). The NBFI Desks are operated by a group of registered dealing representatives within NBFI (the "**NBFI Desks Representatives**") that, in connection with processing trades on behalf of retail clients of NBFI, interact solely with other dealing representatives of NBFI (the "**NBFI Clients Representatives**").

11. Among other services, NBCN offers trade execution services through the operation of an equity trading desk, an equity options trading desk and a fixed income distribution desk (the "**NBCN Desks**"). The NBCN Desks are operated by a group of registered dealing representatives within NBCN (the "**NBCN Desks Representatives**" and, together with the NBFI Desks Representatives, the "**Desks Representatives**") that, in connection with processing trades, interact with clients of NBCN, which are all institutional clients. NBCN offers execution-only services only. NBCN does not provide advice.

12. The Filers intend to proceed to an internal reorganization (the "**Proposed Reorganization**") whereby NBCN will resign as a participating organization of the TSX and a member of the TSX-V, and NBCN and NBFI will merge the NBCN Desks into the NBFI Desks (the "**Merged NBFI Desks**"). Once the Proposed Reorganization is implemented, the institutional clients of NBCN will necessitate access to the trade execution services provided by the Merged NBFI Desks. Following the implementation of the Proposed Reorganization, it is also intended that the Desks

Representatives process trades on the Merged NBFI Desks on behalf of both retail clients of NBFI, through interacting solely with NBFI Clients Representatives, and institutional clients of NBCN.

13. NBFI proposes to dually register the NBCN Desks Representatives with NBFI so that they can act on behalf of the institutional clients of NBCN on the Merged NBFI Desks and on behalf of the retail clients of NBFI, through interacting solely with NBFI Clients Representatives, on the Merged NBFI Desks, and NBCN proposes to dually register the NBFI Desks Representatives with NBCN so that they can act on behalf of the institutional clients of NBCN on the Merged NBFI Desks.

14. The Desks Representatives have, or will have, extensive experience providing trade execution services and interacting with NBFI Clients Representatives and institutional clients of NBCN. The Desks Representatives will interact solely with NBFI Clients Representatives and institutional clients of NBCN.

15. The Desks Representatives are, or will be, approved by IIROC as registered representatives, as defined by IIROC, with the product type of “securities” and client type of “institutional only”.

16. The Desks Representatives will be under the direct supervision and control of both Filers and they will be subject to all securities-related conflicts of interest policies and procedures of both Filers.

17. The compliance structure of the Filers has been in place for a significant period and, accordingly, the persons responsible for compliance for the Filers are particularly sensitive to, and well structured to effectively monitor and address, the respective compliance obligations of the Filers.

18. The dual registration will not be a source of any client confusion or conflicts of interest because:

    a) when acting on behalf of NBCN, the Desks Representatives will only trade on behalf of institutional clients;

    b) when acting on behalf of NBCN, the Desks Representatives will not provide advice, and all trading orders received by the Desks Representatives will be unsolicited;

    c) when acting on behalf of NBFI, the Desks Representatives will not provide advice, and all trading orders received by the Desks Representatives will be unsolicited and from NBFI Clients Representatives only;

    d) prior to interacting with an institutional client of NBCN, the Desks Representatives will provide written notice to the institutional client of their dual registration with both Filers;

    e) the Desks Representatives will act in the best interests of both the retail clients of NBFI, through interacting solely with NBFI Clients Representatives, and the institutional clients of NBCN; and

    f) the Desks Representatives will conduct their activities and deal fairly, honestly and in good faith.

19. The Filers’ competitors, which conduct brokerage services within a single registered investment dealer, currently provide such trade execution services without requiring an exemption from the dual registration restriction.

20. The Merged NBFI Desks will be accustomed to providing trade execution services and will remain staffed by a sufficient number of Desks Representatives to handle expected trade volumes at all times. Accordingly, the Desks Representatives will have sufficient time to adequately serve each Filer.

21. Pursuant to the grandfathering provision in section 4.1(2) of NI 31-103, the dual registration restriction in section 4.1(1)(b) does not apply in respect of a dealing representative whose registration as a dealing representative of more than one registered firm was granted before July 11, 2011.

22. In the absence of the Exemption Sought, the Filers will be prohibited from permitting the Desks Representatives to act as dealing representatives of their firm while the individuals are dealing representatives of the other Filer, even though NBCN is a wholly-owned subsidiary of NBFI.

Decisions

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

The decisions of the Decision Makers under the Legislation are that the Exemption Sought is granted provided that:

a) each Desks Representatives, when acting as a dealing representative by trading securities on behalf of the Filers, will interact solely with NBFI Clients Representatives and institutional clients of NBCN;

b) no Desks Representatives on the Merged NBFI Desks who is dually registered with NBFI and NBCN will also be registered as a dealing representative of NBFL; and

c) The Filers comply with all requirements of IIROC from time to time permitting such dual registration.

"Debra Foubert"
Director, Compliance and Registrant Regulation
Ontario Securities Commission

2.2 Orders

2.2.1 Rezwealth Financial Services Inc. et al. – ss. 127(1), 127.1

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

AND

IN THE MATTER OF
REZWEALTH FINANCIAL SERVICES INC., PAMELA RAMOUTAR, JUSTIN RAMOUTAR,
TIFFIN FINANCIAL CORPORATION, DANIEL TIFFIN, 2150129 ONTARIO INC.,
SYLVAN BLACKETT, 1778445 ONTARIO INC. and WILLOUGHBY SMITH

ORDER
(Subsection 127(1) and Section 127.1 of the Securities Act)

WHEREAS on January 24, 2011, the Ontario Securities Commission (the "**Commission**") issued a Notice of Hearing pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "**Act**"), in relation to a Statement of Allegations dated January 24, 2011 filed by Staff of the Commission ("**Staff**") with respect to Rezwealth Financial Services Inc. ("**Rezwealth**"), Pamela Ramoutar ("**Ms. Ramoutar**"), Justin Ramoutar ("**Mr. Ramoutar"**), Tiffin Financial Corporation ("**Tiffin Financial**"), Daniel Tiffin ("Tiffin**"),** 2150129 Ontario Inc. ("**215 Inc.**"), Sylvan Blackett ("**Blackett**"), 1778445 Ontario Inc. ("**177 Inc**.") and Willoughby Smith ("**Smith**");

AND WHEREAS on December 22, 2009, the Commission issued a temporary cease trade order pursuant to subsections 127(1) and 127(5) of the Act (the "**Original Temporary Order**");

AND WHEREAS the Original Temporary Order was extended from time to time and amended on January 26, 2011 (the "**Amended Temporary Order**") to provide:

1. that all trading in any securities by Rezwealth, Tiffin Financial and 215 Inc. shall cease;

2. that all trading in any securities by Ms. Ramoutar, Mr. Ramoutar, Tiffin and Blackett shall cease;

3. that the exemptions contained in Ontario securities law do not apply to Rezwealth, Tiffin Financial, 215 Inc. or their agents or employees;

4. that the exemptions contained in Ontario securities law do not apply to Ms. Ramoutar, Mr. Ramoutar, Tiffin and Blackett; and

5. that the Amended Temporary Order shall not affect the right of any respondent to apply to the Commission to clarify, amend, or revoke the Amended Temporary Order upon five days written notice to Staff;

AND WHEREAS on March 16, 2011, the Commission extended the Amended Temporary Order, pursuant to subsections 127(7) and 127(8) of the Act, to the conclusion of the hearing on the merits;

AND WHEREAS on January 24, 2012, Staff filed an Amended Statement of Allegations and the Commission issued an Amended Notice of Hearing;

AND WHEREAS a hearing on the merits in this matter was held before the Commission on October 31, 2012, November 1, 2, 5, 7, 8 and 9, 2012, December 3, 5, 6, 10, 11, 12, 13 and 17, 2012 and March 1, 2013;

AND WHEREAS following the hearing on the merits, the Commission issued its Reasons and Decision with respect to the merits on July 17, 2013 (*Re Rezwealth Financial Services Inc. et al* (2013), 36 O.S.C.B. 7446);

AND WHEREAS on July 17, 2013, the Commission extended the Amended Temporary Order, pursuant to subsections 127(1), (7) and 127(8) of the Act, to the conclusion of the sanctions and costs hearing;

AND WHEREAS a hearing on sanctions and costs in this matter was held before the Commission on September 17, 2013;

AND WHEREAS on July 8, 2014, the Commission issued its Reasons and Decision with respect to sanctions and costs;

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this order;

IT IS ORDERED that:

1. With respect to Blackett, 215 Inc., Rezwealth, Ms. Ramoutar and Mr. Ramoutar that:

   (a) pursuant to clause 2 of subsection 127(1) of the Act, trading in any securities by each of Blackett, 215 Inc., Rezwealth, Ms. Ramoutar and Mr. Ramoutar shall cease permanently;

   (b) pursuant to clause 2.1 of subsection 127(1) of the Act, the acquisition of any securities by each of Blackett, 215 Inc., Rezwealth, Ms. Ramoutar and Mr. Ramoutar is prohibited permanently;

   (c) pursuant to clause 3 of subsection 127(1) of the Act, that any exemptions contained in Ontario securities law do not apply to each of Blackett, 215 Inc., Rezwealth, Ms. Ramoutar and Mr. Ramoutar permanently;

   (d) pursuant to clause 7 of subsection 127(1) of the Act, each of Blackett, Ms. Ramoutar and Mr. Ramoutar shall resign any position that he or she holds as a director or an officer of an issuer;

   (e) pursuant to clauses 8, 8.2 and 8.4 of subsection 127(1) of the Act, each of Blackett, Ms. Ramoutar and Mr. Ramoutar is prohibited permanently from becoming or acting as a director or an officer of any issuer, registrant or investment fund manager;

   (f) pursuant to clause 8.5 of subsection 127(1) of the Act, each of Blackett, Ms. Ramoutar and Mr. Ramoutar is prohibited permanently from becoming or acting as a registrant, as an investment fund manager or as a promoter;

   (g) pursuant to clause 9 of subsection 127(1) of the Act, Blackett shall pay an administrative penalty of $500,000, Ms. Ramoutar shall pay an administrative penalty of $250,000 and Mr. Ramoutar shall pay an administrative penalty of $150,000, designated for allocation or use by the Commission in accordance with subsection 3.4(2)(b) of the Act;

   (h) pursuant to clause 10 of subsection 127(1) of the Act, Blackett and 215 Inc. shall jointly and severally disgorge $1,474,377, the Rezwealth, Ms. Ramoutar and Mr. Ramoutar shall jointly and severally disgorge $547,889, Rezwealth and Ms. Ramoutar shall jointly and severally disgorge $547,889 and Mr. Ramoutar shall disgorge $51,158 to the Commission, designated for allocation or use by the Commission in accordance with subsection 3.4(2)(b) of the Act; and

   (i) pursuant to section 127.1 of the Act, Blackett and 215 Inc. shall jointly and severally pay $110,000 and Rezwealth, Ms. Ramoutar and Mr. Ramoutar shall jointly and severally pay $90,000 of the costs of the investigation and hearing.

2. With respect to Smith, 177 Inc., Tiffin and Tiffin Financial that:

   (a) pursuant to clause 2 of subsection 127(1), trading in any securities by each of Smith,177 Inc., Tiffin and Tiffin Financial shall cease for a period of 5 years;

   (b) pursuant to clause 2.1 of subsection 127(1) of the Act, the acquisition of any securities by each of Smith,177 Inc., Tiffin and Tiffin Financial is prohibited for a period of 5 years;

   (c) pursuant to clause 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to each of Smith,177 Inc., Tiffin and Tiffin Financial for a period of 5 years;

   (d) pursuant to clause 7 of subsection 127(1) of the Act, each of Smith and Tiffin shall resign any positions that he holds as a director or an officer of an issuer, save and except for Tiffin in respect of Tiffin Financial, provided and so long as Tiffin Financial is not a reporting issuer and does not engage in any business that is subject to regulation under the Act;

   (e) pursuant to clauses 8, 8.2 and 8.4 of subsection 127(1) of the Act, each of Smith and Tiffin is prohibited for a period of 5 years from becoming or acting as a director or an officer of any issuer, registrant or investment

fund manager, save and except for Tiffin in respect of Tiffin Financial, provided and so long as Tiffin Financial is not a reporting issuer and does not engage in any business that is subject to regulation under the Act;

(f) pursuant to clause 8.5 of subsection 127(1) of the Act, each of Smith and Tiffin is prohibited for a period of 5 years from becoming or acting as a registrant, as an investment fund manager or as a promoter;

(g) pursuant to clause 9 of subsection 127(1) of the Act, Smith and Tiffin shall each pay an administrative penalty of $25,000, designated for allocation or use by the Commission in accordance with subsection 3.4(2)(b) of the Act;

(h) pursuant to clause 10 of subsection 127(1) of the Act, Smith shall disgorge $120,000, 177 Inc. shall disgorge $41,150 and Tiffin and Tiffin Financial shall jointly and severally disgorge $517,000 to the Commission, designated for allocation or use by the Commission in accordance with subsection 3.4(2)(b) of the Act;

(i) pursuant to section 127.1 of the Act, Smith and 177 Inc. shall pay $37,658.18 of the costs of the investigation and hearing, for which they are jointly and severally liable;

(j) pursuant to subsection 127.1(1) of the Act, Tiffin and Tiffin Financial shall pay $15,000 of the costs of the investigation, for which they shall be jointly and severally liable;

(k) in regard to the payments ordered above in subparagraphs (2)(g), (h) and (j) above, Tiffin and/or Tiffin Financial shall make payments as follows:

(i) $8,000 payable within 30 days of this order;

(ii) a further $59,700 payable on or before July 8, 2015;

(iii) a further $59,700 payable on or before July 8, 2016;

(iv) a further $59,700 payable on or before July 8, 2017;

(v) a further $59,700 payable on or before July 8, 2018;

and thereafter, in regard to payments ordered above in subparagraph (2)(h) Tiffin and/or Tiffin Financial shall make payments as follows:

(vi) a further $51,700 payable on or before July 8, 2019;

(vii) a further $51,700 payable on or before July 8, 2020;

(viii) a further $51,700 payable on or before July 8, 2021;

(ix) a further $51,700 payable on or before July 8, 2022;

(x) a further $51,700 payable on or before July 8, 2023;

(xi) the balance of $51,700 payable on or before July 8, 2024;

(the "**Payment Plan**"); and

(l) Notwithstanding the Payment Plan set out in subparagraph (2)(k) above, in the event that Tiffin and/or Tiffin Financial fail to comply with any of the terms of the Payment Plan, the unpaid balance of all of the amounts set out in subparagraphs (2)(g), (h) and (j) above shall become payable and enforceable immediately, along with postjudgment interest from the date of this Order in accordance with section 129 of the *Courts of Justice Act*, R.S.O. 1990 c. C-43, as amended.

DATED at Toronto this 8th day of July, 2014.

"Edward P. Kerwin"

2.2.2 Rodocanachi Capital Inc. – s. 144

Headnote

Section 144 of the Securities Act (Ontario) – application for partial revocation of a cease trade order – issuer cease traded due to failure to file interim financial statements with the Commission – issuer has applied for partial revocation of the cease trade order to permit the issuer to proceed with a private placement with accredited investors (as such term is defined in National Instrument 45-106 Prospectus and Registration Requirements) resident in Alberta, BC, Ontario and Quebec – issuer will use proceeds from private placement to prepare and file continuous disclosure documents, pay related fees and fund operations – partial revocation granted subject to conditions.

Applicable Legislative Provisions

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

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

AND

IN THE MATTER OF
RODOCANACHI CAPITAL INC.

ORDER
(Section 144 of the Act)

WHEREAS the securities of Rodocanachi Capital Inc. Ltd. (the **Applicant**) are subject to a cease trade order issued by the Director on December 16, 2011 pursuant to paragraph 2 of subsection 127(1) the Act (the **Ontario Cease Trade Order**), directing that all trading in the securities of the Applicant, whether direct or indirect, cease until the order is revoked by the Director;

AND WHEREAS the Applicant has applied to the Ontario Securities Commission (the **Commission**) for an order pursuant to section 144 of the Act to partially revoke the Ontario Cease Trade Order (the **Order**);

AND WHEREAS the Applicant has represented to the Commission that:

1. The Applicant is a Québec incorporated company. The Applicant's registered office is located at 1002 Sherbrooke O., 28e étage, Montréal (Québec) H3A 3L6.

2. The Applicant is a reporting issuer in the provinces of Alberta, British Columbia, Ontario and Quebec.

3. As at the date hereof, the authorized capital of the Applicant consists of an unlimited number of common shares (the **Common Shares**) of which 6,400,000 are issued and outstanding.

4. The Common Shares were traded on the TSX Venture Exchange (the **Exchange**) until November 2, 2009, date on which the trading was suspended. On December 6, 2011 the Common Shares were transferred on the NEX, a separate board of the Exchange, on which the trading in the Common Shares remains suspended.

5. The Ontario Cease Trade Order was issued as a result of the Applicant's failure to file, in accordance with the requirements of Ontario securities law, interim financial statements and the related management's discussion and analysis for the period ended August 31, 2011 and certification of the foregoing filings as required by National Instrument 52-109, *Certification of Disclosures in Issuers' Annual and Interim Filings* (**NI 52-109**).

6. In addition to the Ontario Cease Trade Order, the Applicant is subject to the following cease trade orders, each of which was issued due to, in part, the failure to file the 2011 Interim Statements:

   a. an order issued by the Alberta Securities Commission on October 31, 2012,

   b. an order issued by the British Columbia Securities Commission on December 6, 2011, and

   c. an order issued by the Québec L'Autorité des Marchés Financiers on December 19, 2011,

   (collectively, the Other Cease Trade Orders).

7. The Applicant's failure to file the interim financial statements, related management's discussion and analysis for the period ended August 31, 2011 and certification of the foregoing filings as required by NI 52-109 and subsequent continuous disclosure documents is a result of financial distress. If the Applicant cannot proceed with the Financing (as defined below), it is likely that the Applicant will not be able to continue its operations.

8. The Applicant intends to complete a non-brokered private placement of securities (the **Financing**) to raise up to $107,400 to allow the Applicant to bring itself back into compliance with its continuous disclosure obligations by filing the Required Documents (as defined below) and to satisfy filing fees and other expenses of the Applicant as described more fully in paragraph 10 below. The Financing will be conducted on a prospectus exempt basis with subscribers who are accredited investors (as such term is defined in National Instrument 45-106 *Prospectus and Registration Exemptions*) resident in the provinces of Alberta, British Columbia, Ontario and Quebec (each a *Potential Investor*).

9. To the knowledge of the Applicant none of the Potential Investors will be insiders or related parties of the Applicant.

10. The proceeds of the Financing are estimated to be applied as follows:

a.	Legal fees, accounting and audit fees:	$50,000
b.	Filings of materials, including penalties for both partial and full revocation orders	$40,400
c.	Debt to Computershare, NEX and Broadridge:	$17,000
	Total Expenses	$107,400

11. The Applicant believes that the proceeds of the Financing will be sufficient to bring its continuous disclosure obligations up to date and pay all related outstanding fees. In the event that the amount of the Financing is not raised, any funds raised would be returned to the Potential Investors and management would continue its search for an alternative financing.

12. As the Financing will involve trades of securities and acts in furtherance of trades, the Financing cannot be completed without a partial revocation of the Ontario Cease Trade Order.

13. The Financing will be completed in accordance with all applicable laws.

14. Prior to completion of the Financing, each Potential Investor resident in Ontario will:

    a. receive a copy of the Ontario Cease Trade Order,

    b. receive a copy of this Order, and

    c. receive a written notice from the Applicant, and will provide a written acknowledgement to the Applicant, that all of the Applicant's securities, including the Common Shares issued in connection with the Financing, will remain subject to the Ontario Cease Trade Order and the Other Cease Trade Orders until they are each revoked, and that the granting of this Order does not guarantee the issuance of any such full revocation orders in the future.

15. Upon issuance of this Order, the Applicant will issue a news release and file a material change report announcing the Financing and this Order.

16. Upon completion of the Financing and within a reasonable period of time, the Applicant will apply to the Commission for a full revocation of the Ontario Cease Trade Order and will also apply to the securities regulatory authorities where the Other Cease Trade Orders are in effect for a full revocation of those orders.

17. The Applicant has not been previously subject to a cease trade order by the Commission.

18. The Applicant is not in default of any requirements of the Act or the rules and regulations made pursuant thereto, other than:

    a) the Applicant's failure to file the following documents (collectively, the Required Documents):

        i. audited annual financial statements for the year ended May 30, 2012 and 2013, related management's discussion and analysis and certification of the foregoing filings by the Chief

Executive Officer and the Chief Financial Officer of the Applicant as required by National Instrument 52-109 Certification of Disclosures in Issuers' Annual and Interim Filings, and

ii. interim financial statements for the three, six and nine month periods ended August 31, 2011, 2012 and 2013, November 30, 2011, 2012 and 2013 and February 28, 2012 and 2013 respectively, related management's discussion and analyses for the three, six and nine month periods ended August 31, 2011, 2012 and 2013, November 30, 2011, 2012 and 2013 and February 28, 2012 and 2013 respectively, and all certifications of the foregoing filings by the Chief Executive Officer and the Chief Financial Officer of the Applicant as required by National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings.

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

AND WHEREAS the Director being satisfied that to do so would not be prejudicial to the public interest;

IT IS ORDERED, pursuant to section 144 of the Act, that the Ontario Cease Trade Order is partially revoked solely to permit trades in securities of the Applicant (including, for greater certainty, acts in furtherance of trades in securities of the Applicant) that are necessary for and are in connection with the Financing, provided that:

a. prior to completion of the Financing, each Potential Investor resident in Ontario will:

i. receive a copy of the Ontario Cease Trade Orders,

ii. receive a copy of this Order, and

iii. receive a written notice from the Applicant, and will provide a written acknowledgement to the Applicant, that all of the Applicant's securities, including the Common Shares issued in connection with the Financing, will remain subject to the Ontario Cease Trade Order and the Other Cease Trade Orders until they are each revoked, and that the granting of this Order does not guarantee the issuance of any such full revocation orders in the future, and

b. the Applicant will provide signed and dated written acknowledgements referred to in paragraph (a)(iii) above to staff of the Commission on request; and

c. this Order will terminate on the earlier of:

i. the closing of the Financing; and

ii. 120 days from the date hereof.

DATED at Toronto this 26th day of June, 2014.

“Kathryn Daniels”
Deputy Director, Corporate Finance Branch
Ontario Securities Commission

2.2.3 Diversinet Corp. – s. 1(6) of the OBCA

Headnote

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

Statutes Cited

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

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

AND

IN THE MATTER OF
DIVERSINET CORP.
(THE "FILER")

ORDER
(Subsection 1(6) of the OBCA)

UPON the application of the Filer 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 Filer representing to the Commission that:

1. The Filer is a corporation incorporated under the OBCA, and is an "offering corporation" as defined in the OBCA, and its head office is located at 2235 Sheppard Avenue East, Suite 1700, Toronto, Ontario M2J 5B5.

2. The Filer is a reporting issuer in the provinces of British Columbia, Alberta and Ontario (the "**Jurisdictions**").

3. On November 29, 2013, the Filer made an application to the Ontario Securities Commission, as principal regulator on behalf of the securities regulatory authorities in the Jurisdictions, that the Filer cease to be a reporting issuer in the Jurisdictions. The cease to be a reporting issuer application contains further background details about the Filer.

4. At the annual and special meeting of shareholders of the Filer held on September 11, 2013 (the "S**pecial Meeting**"), the shareholders approved a special resolution authorizing the sale of substantially all of the assets of the Filer (the "**Sale Resolution**"). A total of 99.80% of the votes cast at the Special Meeting were in favour of the Sale Resolution.

5. At the Special Meeting, the shareholders approved a special resolution authorizing the formal winding-up of the Filer and the distribution of its remaining assets to shareholders (the "**Winding Up Resolution**") pursuant to a Plan of Liquidation and Distribution (the "**Liquidation Plan**"). A total of 99.79% of the votes cast at the Special Meeting were in favour of the Winding Up Resolution.

6. By resolution of the Filer's board of directors (the "**Board**") on September 16, 2013, the effective date for the commencement of the formal winding-up in accordance with the Liquidation Plan was determined to be September 23, 2013.

7. The Filer applied to the Superior Court of Justice (Commercial List) (Ontario) (the "**Court**") for the winding-up to be supervised by the Court.

8. On October 18, 2013, the winding-up order and claims procedure order were approved by the Court for a voluntary winding-up of the Filer pursuant to the Liquidation Plan in accordance with the OBCA.

9. Pursuant to the Liquidation Plan:

    a. Duff & Phelps Canada Restructuring Inc. (the "**Liquidator**") was appointed the liquidator of the estate and effects of the Filer for the purpose of winding-up its business and affairs and distributing its assets;

b. a process established by the Liquidator and approved by the Court was initiated for the identification, resolution and barring of certain claims against the Filer (the "**Claims Process**");

c. consistent with Section 221 of the OBCA and Section 3.3 of the Liquidation Plan, all of the powers of the board of directors of the Filer have ceased and the directors have been deemed to have resigned; and

d. certain former members of the Board and/or former officers of the Filer, namely David Hackett, Albert Wahbe and Jay Wigdale, were appointed inspectors of the Filer pursuant to Section 194 of the OBCA and Section 6.1 of the Liquidation Plan.

10. In accordance with the Claims Process, the date by which all claims were required to be filed was on or about December 16, 2013.

11. In accordance with the Liquidation Plan, the Filer maintained the listing of the common shares (the "**Shares**") on the OTCQB marketplace, operated by the OTC Markets Group, (the "**OTCQB**") until the completion of the Claims Process.

12. On December 11, 2013, the Filer applied to the Financial Industry Regulatory Authority ("**FINRA**") for a voluntary de-listing of the Shares as of the end of business on December 16, 2013.

13. By press release issued on December 17, 2013, the Filer announced that the Shares had been delisted from the OTCQB. FINRA also issued a bulletin to this effect on December 16, 2013. Pursuant to Section 198 of the OBCA and paragraph 4.2(e) of the Liquidation Plan, all Share transfers made after December 16, 2013 are void unless made with the explicit sanction of the Liquidator.

14. On December 6, 2013 the Filer requested that to the Clearing and Depository Services Inc. ("**CDS**") place a restriction on the Shares so that no transfers among participants may occur after December 16, 2013. On December 16, 2013, CDS published a bulletin announcing that the Shares would be fully restricted in CDS as of opening of business on December 17, 2013, subject to any Liquidator sanctioned transfers.

15. On December 13, 2013, the Filer requested that the Depository Trust & Clearing Corporation ("**DTCC**") place a restriction on the Shares so that no transfers among participants may occur after December 16, 2013. As requested by DTCC, the Liquidator consented to permit broker-to-broker transfers where the beneficial owners of the securities remained the same. The DTCC also required that a three day period be permitted following the delisting of the Shares from the OTCQB to permit trades made on or before December 16, 2013 to be completed. On December 19, 2013, DTCC published a bulletin announcing that the Shares would be fully restricted in DTCC as of opening of business on December 20, 2013, subject to any Liquidator sanctioned transfers.

16. The Filer's shareholders no longer have the ability to trade in the Shares. As a result, the Filer's shareholders do not receive any further benefit from the Filer continuing to be a public company given that all pertinent information will be disclosed by the Liquidator.

17. No securities of the Filer are listed, traded or quoted for trading on any "marketplace" in Canada or elsewhere (as defined in National Instrument 21-101 *Marketplace Operation*), and the Filer does not intend to have any of its securities listed, traded or quoted on such a marketplace in Canada or any other jurisdiction.

18. The Filer has no current intention to seek public financing by way of offering of securities.

19. The Liquidator is required by the Liquidation Plan to report to the Filer's shareholders with respect to all matters relating to the assets, the Filer and such other matters as may be relevant to the Liquidation Plan. The Liquidator intends to issue a press release and/or report to the Court when the timing and quantum of shareholder distributions are determined. All such materials will be posted on the Liquidator's website.

20. The Liquidator has established a website in respect of the liquidation where it intends to continue to post information and issue press releases where considered advisable (with the advice of outside counsel) with respect to material claims raised during the Claims Process, the resolution of any material claims and the timing and expected amounts of any distributions to the Filer's shareholders. As a result of the Liquidator being an officer of the Court and the Liquidation being under the supervision of the Court, the Liquidator will report to the Court from time to time with respect to disclosure made to the Filer's shareholders.

21. On December 2, 2013, the Filer issued a press release disclosing that the Filer has made an application for a decision that the Filer is not a reporting issuer under applicable securities laws. The press release was filed on SEDAR on December 2, 2013.

22. The Filer's assets consist primarily of cash (approximately US$3.5 million) with some accounts receivables (approximately $150,000) owing from Mihealth Global Systems Inc. The Filer has no other assets.

23. The Filer has ceased exercising commercial activity of any kind and will be dissolved after the Claims Process is complete, all claims are resolved, tax clearance certificates are issued in accordance with the *Income Tax Act* and all assets are distributed.

AND UPON the Commission being satisfied 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 Filer be deemed to have ceased to be offering its securities to the public for the purposes of the OBCA.

DATED at Toronto, this 4th day of July, 2014.

"Vern Krishna"
Ontario Securities Commission

"Edward P. Kerwin"
Ontario Securities Commission

2.2.4 Pro-Financial Asset Management Inc.

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

AND

IN THE MATTER OF
PRO-FINANCIAL ASSET MANAGEMENT INC.

ORDER

WHEREAS on May 17, 2013, the Commission issued a temporary order (the "Temporary Order") with respect to Pro-Financial Asset Management Inc. ("PFAM") pursuant to subsections 127(1) and (5) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") ordering that:

(i) pursuant to paragraph 1 of subsection 127(1) of the Act, the registration of PFAM as a dealer in the category of exempt market dealer be suspended and the following terms and conditions apply to the registration of PFAM as an adviser in the category of portfolio manager ("PM") and to its operation as an investment fund manager ("IFM"):

a. PFAM's activities as a PM and IFM shall be applied exclusively to the Managed Accounts (as defined in the Temporary Order) and to the Pro-Hedge Funds and Pro-Index Funds (as defined in the Temporary Order); and

b. PFAM shall not accept any new clients or open any new client accounts of any kind in respect of the Managed Accounts;

(ii) pursuant to subsection 127(6) of the Act, the Temporary Order shall take effect immediately and shall expire on the fifteenth day after its making unless extended by order of the Commission;

AND WHEREAS on May 28, 2013, the Commission ordered: (i) the Temporary Order be extended to June 27, 2013; (ii) the hearing to consider whether to further extend the terms of the Temporary Order and/or to make any further order as to PFAM's registration proceed on June 26, 2013 at 10:00 a.m.;

AND WHEREAS on June 26, 2013, the Commission ordered that: (i) the Temporary Order be extended to July 15, 2013; and (ii) the affidavit of Michael Denyszyn sworn May 24, 2013 not be marked as an exhibit until the next appearance in the absence of a Commission order to the contrary; and the hearing to consider this matter proceed on July 12, 2012;

AND WHEREAS on July 11, 2013, the Commission ordered that: (i) the Temporary Order be extended to July 22, 2013; (ii) the hearing be adjourned to July 18, 2013 at 11:00 a.m.; and (iii) the hearing date of July 12, 2013 at 10:00 a.m. be vacated;

AND WHEREAS on July 18, 2013, PFAM brought a motion (the "First PFAM Motion") that the hearing be held *in camera* and that the affidavits of Michael Denyszyn sworn May 24 and June 24, 2013 and the affidavit of Michael Ho sworn July 17, 2013 (collectively the "Staff Affidavits") either not be admitted as evidence or else be treated as confidential documents and the parties agreed that the motion should be heard *in camera*;

AND WHEREAS on July 18, 2013, PFAM's counsel filed supporting documents (the "PFAM Materials") in support of the First PFAM Motion and counsel for PFAM and Staff made oral submissions and filed written submissions;

AND WHEREAS on July 22, 2013, the Commission ordered:

(i) the Temporary Order be extended to August 26, 2013;

(ii) leave be granted to the parties to file written submissions in respect of the First PFAM Motion;

(iii) the Staff Affidavits, the transcript of the PFAM motion, the PFAM Materials, written submissions filed by Staff and PFAM and other documents presented during the course of the First PFAM Motion shall be treated as confidential documents until further direction or order of the Commission; and

(iv) the hearing be adjourned to August 23, 2013 at 10:00 a.m.;

AND WHEREAS on August 23, 2013, Staff filed with the Commission the affidavit of Michael Ho sworn August 22, 2013 and PFAM's counsel filed the affidavit of Stuart McKinnon dated August 23, 2013 but the parties did not seek to mark these affidavits as exhibits;

AND WHEREAS on August 23, 2013, Staff and counsel for PFAM advised the Commission that the parties had agreed on the terms of a draft order;

AND WHEREAS on August 23, 2013, PFAM requested that the hearing be held *in camera* so PFAM's submissions on certain confidentiality issues could be heard and Staff did not oppose PFAM's request;

AND WHEREAS on August 27, 2013, the Commission ordered:

(i) the Temporary Order be extended to October 11, 2013;

(ii) the affidavit of Michael Ho sworn August 22, 2013 and the affidavit of Stuart McKinnon sworn August 23, 2013 be treated as confidential documents until further order of the Commission;

(iii) PFAM will deliver to Staff the final PPN reconciliation report by 4:30 p.m. on September 30, 2013; and

(iv) the hearing to consider whether to: (i) make any further order as to PFAM's registration as an adviser in the category of PM or in respect of its operation as an IFM, as a result of PFAM's ongoing capital deficiency; and/or (ii) otherwise vary or extend the terms of the Temporary Order, proceed on October 9, 2013 at 11:00 a.m.;

AND WHEREAS on October 9, 2013, PFAM brought a second motion (the "Second PFAM Motion") for an order that the hearing be held *in camera* and for a confidentiality order treating as confidential documents: (i) the Staff and PFAM affidavits; (ii) all facta and correspondence exchanged by Staff and PFAM; and (iii) any transcript of this and prior *in camera* proceedings;

AND WHEREAS on October 9, 2013, PFAM's counsel filed written submissions dated October 8, 2013, the affidavit of Stuart McKinnon sworn October 7, 2013 and the affidavit of Kenneth White sworn October 7, 2013 in support of the Second PFAM Motion and Staff filed written submissions dated October 9, 2013 and the affidavit of Michael Ho sworn October 8, 2013 and opposed the request for an *in camera* hearing and for the confidentiality order;

AND WHEREAS on October 9, 2013, the Commission heard submissions from counsel on the Second PFAM Motion *in camera* and the Commission requested the parties to prepare a draft order that, among other matters, addressed the confidentiality of documents filed with the Commission and permitted BNP Paribas Canada and Société Générale Canada (the "Banks") to review certain documents attached to Staff affidavits dealing substantively with the PPN reconciliation process, provided the Banks treated such documents as confidential;

AND WHEREAS on October 11, 2013, the Commission ordered that:

(i) the Temporary Order be extended to December 15, 2013;

(ii) the affidavit of Michael Ho sworn October 8, 2013, the affidavit of Stuart McKinnon sworn October 7, 2013, the affidavit of Kenneth White sworn October 7, 2013 and the written submissions of the parties dated October 8 and 9, 2013 be treated as confidential documents until further order of the Commission; and

(iii) the hearing to consider whether to: (i) make any further order as to PFAM's registration as an adviser in the category of PM or in respect of its operation as an IFM, as a result of PFAM's ongoing capital deficiency; and/or (ii) otherwise vary or extend the terms of the Temporary Order, shall proceed on December 12, 2013 at 10:00 a.m.;

AND WHEREAS on October 17, 2013, the Commission ordered (the "October 17, 2013 Order") that:

(i) the affidavit of Michael Ho sworn October 8, 2013, the affidavit of Stuart McKinnon sworn October 7, 2013, the affidavit of Kenneth White sworn October 7, 2013 and the written submissions of the parties dated October 8 and 9, 2013 be treated as confidential documents until further order of the Commission;

(ii) the previous orders as to confidentiality made by the Commission on July 22, 2013 and August 27, 2013 remain in force until further order or direction of the Commission; and

(iii) documents related to the PPN reconciliation process listed on Schedule "A" to the October 17, 2013 Order be provided to counsel for the Banks on condition that the Banks treat those documents as confidential documents and not provide copies to any third party without further direction or order of the Commission;

AND WHEREAS on September 30, 2013, PFAM agreed to sell to another portfolio manager (the "Purchaser") PFAM's interest in all of the investment management contracts for the Pro-Index Funds and the Managed Accounts (the "First Transaction"). In a second transaction, an investor agreed to purchase through a corporation (the "Investor") all of the shares of the Purchaser (the "Second Transaction"):

AND WHEREAS on October 22, 2013, the Purchaser and PFAM filed a notification letter providing Compliance and Registrant Regulation Branch ("CRR Branch") Staff with notice ("Notice") of the application filed under section 11.9 and 11.10 of National Instrument 31-103 – *Registration Requirements, Exemptions and Ongoing Registrant Obligations* ("NI 31-103") relating to the First Transaction and the Second Transaction (collectively, the "Transactions");

AND WHEREAS on November 5, 2013, the staff member of the CRR Branch conducting the review of the Notice requested copies of the affidavits of Michael Denyszyn sworn May 24 and June 24, 2013, the affidavits of Michael Ho sworn July 17, August 22 and October 8, 2013, the affidavits of Stuart McKinnon sworn July 17, August 23 and October 7, 2013, the affidavit of Kenneth White sworn October 7, 2013 and the submissions of Staff and Pro-Financial Asset Management Inc. ("PFAM") (collectively, the "Confidential Documents");

AND WHEREAS on November 12, 2013, PFAM filed an application with the Investment Funds Branch ("IF Branch") of the Commission for an order under section 5.5 of National Instrument 81-102 – *Mutual Funds* ("NI 81-102") for approval of the Purchaser as investment fund manager of the Pro-Index Funds and the Purchaser applied on October 24, 2013 for registration in the investment fund manager category for this purpose;

AND WHEREAS on November 13, 2013, Staff filed a Notice of Motion returnable on a date to be determined by the Secretary's office seeking an Order that Staff of the Enforcement Branch be permitted to provide some or all of the Confidential Documents to certain staff members of the CRR Branch and the IF Branch;

AND WHEREAS on November 25, 2013, the Commission ordered that:

(i) Staff of the Enforcement Branch be permitted to provide the Confidential Documents to the following persons:

a. the staff members of the CRR Branch assigned to review the Notice;

b. the staff member who has been designated to act in the capacity of the Director on behalf of the CRR Branch for the purposes of deciding whether to object to the Notice;

c. the staff members of the IF Branch who have been assigned to review the application made by PFAM or the Purchaser under section 5.5 of NI 81-102; and

d. the staff member who has been designated to act in the capacity of the "Director" for the purposes of deciding whether to approve the application under section 5.5 of NI 81-102;

(ii) The CRR staff members assigned to review the Notice be permitted to provide relevant information derived from the Confidential Documents ("Relevant Information") to PFAM, the Purchaser and their counsel involved in the Notice as part of the CRR staff members' review and analysis of the Notice on condition that the recipients of such information treat it as confidential and not provide it to any third party without further direction or order of the Commission;

(iii) The IF staff members assigned to review the application for change of fund manager be permitted to provide Relevant Information to PFAM, the Purchaser and their counsel involved in the application filed under NI 81-102 as part of the Investment Funds staff members' review and analysis of the application on condition that the recipients of such information treat it as confidential and not provide it to any third party without further direction or order of the Commission;

(iv) The CRR staff members assigned to review the Notice be permitted to provide Relevant Information to the Investor or its counsel with the consent of PFAM; and

(v) The parties may seek direction from the Commission in the event that the CRR staff members and PFAM cannot agree on whether Relevant Information should be provided to the Investor or its counsel;

AND WHEREAS Staff has filed an affidavit of Michael Ho sworn December 10, 2013 attaching a letter from counsel to Investment Administration Solution Inc. ("IAS"), PFAM's recordkeeper for the PPNs, requesting a copy of the PPN reconciliation report submitted by PFAM to Staff;

AND WHEREAS PFAM's counsel provided to Staff and to the Commission and made submissions based on an affidavit of Stuart McKinnon sworn December 11, 2013 which was not marked as an exhibit on December 12, 2013 at the Commission hearing held that day;

AND WHEREAS on December 12, 2013, Staff and counsel for PFAM appeared before the Commission and made submissions on: (i) the appropriate form of order to govern the provision of the Confidential Documents to other members of Staff of the Commission; and (ii) whether IAS should receive copies of the PPN reconciliation reports submitted by PFAM to Staff;

AND WHEREAS by Commission Order dated December 13, 2013, the Commission ordered that:

(i) the Confidential Documents may be provided to any member of Staff of the Commission, as necessary in the course of their duties;

(ii) the Temporary Order be extended to January 24, 2014;

(iii) the hearing be adjourned to January 21, 2014 at 11:00 a.m.; and

(iv) Staff shall be entitled to provide a copy of each document relating to the PPN reconciliation process listed on Schedule "A" of the October 13, 2013 order to counsel for IAS on the conditions that: (a) IAS treat those documents as confidential and not provide them to any third party without further direction or order of the Commission; and (b) IAS may use the documents for the purpose of assisting Staff in resolving the PPN discrepancy, and for no other purpose;

AND WHEREAS on January 15, 2014, PFAM's counsel advised Staff that the prospectus for the distribution of securities of the Pro- Index Funds had passed its lapse date on January 14, 2014 and PFAM's counsel requested a lapse date extension of 40 days from Staff;

AND WHEREAS on January 17, 2014, PFAM's counsel filed a pre-hearing conference memorandum ("PFAM's Pre-Hearing Memorandum") with the Secretary's office to discuss various issues and seek an Order granting an extension to the lapse date for the Pro-Index Funds under subsection 62(5) of the Act (the "Lapse Date Relief");

AND WHEREAS PFAM filed the affidavit of Stuart McKinnon sworn January 19, 2014 with the Secretary's office and Staff filed the affidavit of Susan Thomas sworn January 20, 2014 with the Secretary's office but neither party marked either affidavit as an exhibit at the appearance on January 21, 2014;

AND WHEREAS on January 21, 2014, Staff and PFAM's counsel appeared before the Commission and Staff advised the Commission that: (i) Staff's review of the Notice was expected to take another three to four weeks; (ii) the parties agreed that the prior confidentiality orders should be revised to permit Staff to provide the Confidential Documents or excerpts therefrom to the Purchaser, the Investor and their counsel as Staff determines necessary in the course of their duties and on the condition that the recipients treat such documents as confidential and not disclose them to any third party without further direction or order of the Commission; and (iii) the parties agreed that the Temporary Order should be extended;

AND WHEREAS on January 21, 2014, PFAM's counsel requested that submissions relating to the issues raised in PFAM's Pre-Hearing Memorandum be made *in camera* pursuant to Rule 6 of the Commission's *Rules of Procedure*, Staff opposed PFAM's request, and the Commission directed and the parties made submissions *in camera* on the Lapse Date Relief;

AND WHEREAS on January 21, 2014, the Commission ordered that: (i) the Temporary Order be extended to February 24, 2014; (ii) the hearing be adjourned to February 21, 2014 at 2:00 p.m.; (iii) Staff who have received the Confidential Documents be permitted to provide the Confidential Documents or an excerpt of the Confidential Documents to the Purchaser, the Investor and their counsel as set out in the Order; and (iv) PFAM be granted the Lapse Date Relief under subsection 62(5) of the Act to extend the lapse date for the Pro-Index Funds to February 24, 2014 on the conditions set out in the Order;

AND WHEREAS on February 14, 2014, PFAM's counsel served on Staff and filed a pre-hearing conference memorandum with the Secretary's office and requested a confidential pre-hearing conference during the week of February 24, 2014;

AND WHEREAS on February 21, 2014, PFAM's counsel was unavailable to attend before the Commission so the Commission ordered: (i) the Temporary Order be extended to March 6, 2014; (ii) the hearing be adjourned to March 3, 2014 at 11:00 a.m.; and (iii) a confidential pre-hearing conference proceed on February 25, 2014 at 3:30 p.m.;

AND WHEREAS PFAM's counsel requested in his prehearing conference memorandum an extension to the lapse date for the Pro-Index Funds which was previously extended to February 24, 2014 by Commission order dated January 21, 2014 (the "Further Lapse Date Relief");

AND WHEREAS in connection with a confidential pre-hearing conference on February 25, 2014 and the appearance on March 3, 2014, Staff filed the affidavit of Michael Ho sworn February 24, 2014 and written submissions dated February 28, 2014 to oppose the request for the Further Lapse Date Relief and PFAM's counsel filed the affidavits of Stuart McKinnon sworn February 21, 2014 and March 3, 2014 and a factum dated March 3, 2014 in support of the Further Lapse Date Relief;

AND WHEREAS on March 3, 2014, counsel for PFAM requested that submissions relating to the Further Lapse Date Relief be heard *in camera* and the Commission agreed to this request and the parties made oral submissions *in camera* on the issue of whether the Commission should grant the Further Lapse Date Relief;

AND WHEREAS on March 3, 2014, the Commission ordered that the Further Lapse Date Relief would be granted until April 7, 2014 subject to: (i) PFAM issuing a news release, in a form satisfactory to Staff, to ensure that investors receive full disclosure of the matters identified by Staff as set out below; and (ii) PFAM only being permitted to distribute securities of the Pro-Index Funds to existing securityholders of the Pro-Index Funds;

AND WHEREAS on March 3, 2014, the Commission advised, in the public portion of the hearing, that there had been two Director decisions recently made affecting PFAM (the "Director Decisions") and PFAM's counsel advised that the affected parties would seek a hearing and review under subsection 8(2) of the Act of both of the Director Decisions on an expedited basis;

AND WHEREAS on March 4, 2014, the Commission ordered: (i) the terms and conditions imposed on PFAM's registration by the Temporary Order be deleted and replaced with new terms and conditions which provided that PFAM shall not accept any new clients or open any new client accounts of any kind in respect of its Managed Accounts and that PFAM may only distribute securities of the Pro-Index Funds to existing securityholders of the Pro-Index Funds (the "Distribution Restriction"); (ii) PFAM be granted the Further Lapse Date Relief under subsection 62(5) of the Act to extend the lapse date for the Pro-Index Funds to April 7, 2014 subject to the conditions that: (a) PFAM issue a news release by March 6, 2014, in a form satisfactory to Staff, providing disclosure about the specific items set out in the March 4, 2014 order; and (b) PFAM comply with the terms of the March 4, 2014 order; (iii) the hearing be adjourned to April 7, 2014 at 10:00 a.m.; and (iv) the Temporary Order be extended to April 10, 2014;

AND WHEREAS on March 6, 2014, a confidential prehearing conference was held to consider a motion by counsel to the Purchaser and the Investor to vary the Distribution Restriction imposed by the Commission in the March 4, 2014 order, so that PFAM could continue distributing securities until April 7, 2014 to new investors after issuing the press release provided for in the March 4 order (the "Variation Motion");

AND WHEREAS on March 6, 2014, the Commission was of the view that the hearing of the Variation Motion should proceed only after a notice of the Variation Motion has been filed with the Secretary's office so that the public could be advised of the hearing;

AND WHEREAS on March 6, 2014, the Commission ordered that: (i) portions of the Commission decision of March 3, 2014 imposing the Distribution Restriction and deleting and replacing the terms and conditions on PFAM's registration and operation be stayed until March 11, 2014; (ii) PFAM be granted lapse date relief to extend the lapse date for the Pro-Index Funds to March 11, 2014; (iii) the Purchaser and the Investor file notice of the Variation Motion with the Secretary's office; and (iv) the Variation Motion be adjourned to March 11, 2014 at 1:00 p.m.;

AND WHEREAS the Purchaser and Investor's counsel filed the affidavit of Diego Beltran sworn March 5, 2014, the affidavit of Stuart McKinnon sworn March 11, 2014 and written submissions dated March 6, 2014 in support of the Variation Motion and Staff filed the affidavit of Michael Ho sworn March 10, 2014 and written submissions dated March 10, 2014 to oppose the Variation Motion;

AND WHEREAS on March 11, 2014, the Purchaser and the Investor's counsel made a request that the hearing of the Variation Motion proceed *in camera* and Staff opposed the request and the Purchaser and Investor's counsel and Staff made oral submissions and the Commission denied the request that the hearing proceed *in camera*;

AND WHEREAS on March 11, 2014, Staff opposed the Variation Motion and the Purchaser and Investor's counsel and Staff made oral submissions on the Variation Motion and Staff advised that a separate order will be required to cease the distribution of securities of the Pro-Index Funds to new investors as of March 11, 2014 if the Variation Motion is dismissed;

AND WHEREAS on March 11, 2014, the Commission ordered that: (i) the Variation Motion be dismissed; and (ii) the distribution of securities of the Pro-Index Funds to new investors be ceased as of the end of the day on March 11, 2014;

AND WHEREAS PFAM filed the affidavit of Stuart McKinnon sworn April 4, 2014 in support of its request for a further lapse date extension (the "Third Lapse Date Extension Request") and requested that the affidavit be treated on a confidential basis and Staff filed an affidavit of Mostafa Asadi sworn April 4, 2014 and opposed the Third Lapse Date Extension Request on the basis that PFAM has not filed the annual audited financial statements or the annual management reports of fund performance for the Pro-Index Funds which were due on March 31, 2014;

AND WHEREAS on April 7, 2014, PFAM's counsel requested that the submissions of the parties be heard *in camera* and Staff opposed the request and the Commission directed PFAM's counsel and Staff to make oral submissions *in camera*;

AND WHEREAS on April 7, 2014, Staff requested permission to provide a copy of the affidavit of Stuart McKinnon sworn April 4, 2014 to IAS or its legal counsel prior to the argument of PFAM's Third Lapse Date Request and PFAM's counsel opposed Staff's request;

AND WHEREAS on April 7, 2014, the parties made submissions *in camera* and the Commission directed that the affidavit of Stuart McKinnon sworn April 4, 2014 shall not be received on a confidential basis and directed that the correspondence between Staff and PFAM's counsel be treated as confidential;

AND WHEREAS on April 7, 2014, the Commission ordered that: (i) the lapse date for the Pro-Index Funds be extended to April 21, 2014; (ii) the affidavit of Stuart McKinnon sworn April 4, 2014 shall appear on the public record except for exhibits containing the correspondence between Staff and PFAM's counsel, including enclosures; (iii) Staff shall be entitled to provide a copy of the affidavit of Stuart McKinnon sworn April 4, 2014 to IAS or IAS' legal counsel subject to the conditions that IAS shall treat as confidential all correspondence between PFAM and Staff forming part of the affidavit and IAS shall only use the affidavit to assist Staff in the ongoing proceeding; (iv) the Temporary Order be extended to April 21, 2014; and (v) the hearing be adjourned to April 17, 2014 at 11:00 a.m. to argue the Third Lapse Date Extension Request.

AND WHEREAS on April 17, 2014, Staff filed the affidavit of Michael Ho sworn April 11, 2014 to oppose the Third Lapse Date Extension Request and PFAM filed the affidavit of Stuart McKinnon sworn April 16, 2014 in support of the Third Lapse Date Extension Request;

AND WHEREAS on April 17, 2014, PFAM's counsel requested that the submissions of the parties on the Third Lapse Date Extension Request be heard *in camera* and Staff opposed PFAM's request and the Commission directed that the parties' submissions on the Third Lapse Date Extension Request would not be heard *in camera*;

AND WHEREAS on April 17, 2014, PFAM's counsel made oral submissions and filed written submissions dated April 7 and 17, 2014 in support of the Third Lapse Date Extension Request and Staff made oral and filed written submissions dated April 14, 2014 to oppose PFAM's request and after hearing the parties' submissions, the Commission reserved its decision and adjourned the hearing to April 21, 2014 at 2:00 p.m.;

AND WHEREAS on April 21, 2014, the Commission dismissed the Third Lapse Date Extension Request and provided oral reasons for its decision;

AND WHEREAS on April 23, 2014, the Commission ordered that: (i) the Third Lapse Date Extension Request be dismissed without prejudice to PFAM bringing an application under section 144 to vary or revoke the order if the audited financial statements and management reports of fund performance for the Pro-Index Funds are filed with the Commission; (ii) notwithstanding that the lapse date for the Pro-Index Funds was previously extended to April 21, 2014, the distribution of securities of the Pro-Index Funds cease as of the end of the day on April 21, 2014; (iii) the Temporary Order be extended to May 27, 2014; and (iv) the hearing be adjourned to May 23, 2014 at 10:00 a.m.;

AND WHEREAS on May 23, 2014, Staff filed the affidavit of Michael Ho sworn May 22, 2014 to: (i) update the Commission on the payments by PFAM on March 31, April 7 and 8, 2014 of maturity proceeds for certain series of PPNs to escrow agents as arranged by the Banks and agreed to by PFAM; and (ii) confirm that the current discrepancy between the records of the record-keeper and the trustee remains unchanged and indicates that the total cash obligation to PPN noteholders exceeds the amount in the trustee's records by $1,222,549.45;

AND WHEREAS on May 23, 2014, the parties agreed to adjourn the hearing to July 2, 2014 at 10:00 a.m. and to extend the Temporary Order to July 4, 2014;

AND WHEREAS at a confidential pre-hearing conference in respect of the section 8 hearings and reviews of the Director Decisions on June 5, 2014, the parties agreed that the confidential pre-hearing conference continue on June 26, 2014 at 2:00 p.m.;

AND WHEREAS the parties agreed to adjourn the hearing to July 9, 2014 at 10:00 a.m. and to extend the Temporary Order to July 11, 2014;

AND WHEREAS on June 11, 2014, the Commission ordered that: (i) a confidential pre-hearing conference in respect of the section 8 hearings and review of the Director Decisions proceed on June 26, 2014 at 2:00 p.m.; (ii) the hearing be adjourned to July 9, 2014 at 10:00 a.m.; and (iii) the Temporary Order be extended to July 11, 2014;

AND WHEREAS on July 9, 2014, the parties advised the Commission that the hearing and review pursuant to subsection 8(2) of the Act to review a decision of a Director of CRR Branch relating to the Transactions was scheduled to begin immediately after the appearance and therefore the parties agreed that the hearing be adjourned to August 8, 2014 at 10:00 a.m. and the Temporary Order as amended by previous Commission orders be extended to August 11, 2014;

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this order;

IT IS HEREBY ORDERED that:

1. The hearing is adjourned to August 8, 2014 at 10:00 a.m.

2. The Temporary Order as amended by previous Commission orders is extended to August 11, 2014.

DATED at Toronto this 9th day of July, 2014.

“James E. A. Turner”

2.2.5 Maple Group Acquisition Corporation et al. – s. 144

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

AND

IN THE MATTER OF
MAPLE GROUP ACQUISITION CORPORATION

AND

TMX GROUP INC.

AND

TSX INC.

AND

ALPHA TRADING SYSTEMS LIMITED PARTNERSHIP,
ALPHA TRADING SYSTEMS INC.,
ALPHA MARKET SERVICES INC.

AND

ALPHA EXCHANGE INC.

AND

IN THE MATTER OF
NATIONAL BANK FINANCIAL & CO. INC.

AND

NATIONAL BANK GROUP INC.

ORDER
(Section 144 of the Act)

WHEREAS the Ontario Securities Commission (Commission) issued an order dated July 4, 2012, recognizing each of Maple Group Acquisition Corporation (Maple), TMX Group Inc. (TMX Group), TSX Inc. (TSX), Alpha Trading Systems Limited Partnership (Alpha LP) and Alpha Exchange Inc. (Alpha Exchange) as an exchange pursuant to section 21 of the Act (the Exchange Recognition Order);

AND WHEREAS at the time of granting the Exchange Recognition Order, National Bank Financial & Co. Inc. (NBF & Co.) was an investor in Maple and is included in the definition of "original Maple shareholder" in subsection 1(a) of Schedule 2 to the Exchange Recognition Order;

AND WHEREAS NBF & Co. is to be wound-up and its holding of the issued and outstanding voting securities of TMX Group Limited are to be transferred to National Bank Group Inc. (NBG), an affiliate of NBF & Co.;

AND WHEREAS NBF & Co. has applied to the Commission (the Application) for an order amending the Exchange Recognition Order to remove NBF & Co. and to include NBG in the definition of "original Maple shareholder" in the Exchange Recognition Order;

AND WHEREAS NBG agrees to be bound by the applicable terms and conditions of the Exchange Recognition Order;

AND WHEREAS based on the Application and the representations that NBF & Co. has made to the Commission, the Commission has determined that it is not prejudicial to the public interest to amend the Exchange Recognition Order pursuant to section 144 of the Act;

IT IS ORDERED that:

(a) pursuant to section 144 of the Act, the definition of "original Maple shareholder" in subsection 1(a) of Schedule 2 to the Exchange Recognition Order is deleted and replaced with the following:

> "original Maple shareholder" means each of the AIMCo, Caisse de dépôt et placement du Québec, Canada Pension Plan Investment Board, CIBC World Markets Inc., Desjardins Financial Corporation, Dundee Capital Markets Inc., Fonds de solidarité des travailleurs du Québec (F.T.Q.), The Manufacturers Life Insurance Company, National Bank Group Inc., National Bank Financial Inc., Ontario Teachers' Pension Plan Board, Scotia Capital Inc., TD Securities Inc. and 1802146 Ontario Limited;

DATED this 24th day of June, 2014.

"James E.A. Turner"
Commissioner

"Christopher Portner"
Commissioner

2.2.6 National Bank Financial & Co. Inc. and National Bank Group Inc. – s. 144

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

AND

IN THE MATTER OF
THE CANADIAN DEPOSITORY FOR SECURITIES LIMITED

AND

CDS CLEARING AND DEPOSITORY SERVICES INC.

AND

IN THE MATTER OF
NATIONAL BANK FINANCIAL & CO. INC.

AND

NATIONAL BANK GROUP INC.

ORDER
(Section 144 of the Act)

WHEREAS the Ontario Securities Commission (Commission) issued an order dated July 4, 2012, as varied and restated on December 21, 2012 and as varied on December 7, 2012, May 1, 2013 and June 25, 2013 pursuant to section 21.2 of the Act continuing the recognition of The Canadian Depository for Securities Limited (CDS Ltd.) and CDS Clearing and Depository Services Inc. (CDS Clearing) as clearing agencies (the Clearing Agency Recognition Order);

AND WHEREAS TMX Group Limited (formerly, Maple Group Acquisition Corporation or Maple) owns all of the issued and outstanding voting securities of CDS Ltd. and, indirectly, CDS Clearing;

AND WHEREAS on the effective date of the Clearing Agency Recognition Order, National Bank Financial & Co. Inc. (NBF & Co.) was a beneficial owner of issued and outstanding voting securities of TMX Group Limited;

AND WHEREAS NBF & Co. is included in the definition of "original Maple shareholder" in Part I of Schedule "B" to the Clearing Agency Recognition Order;

AND WHEREAS NBF & Co. is to be wound-up and its holding of the issued and outstanding voting securities of TMX Group Limited are to be transferred to National Bank Group Inc. (NBG), an affiliate of NBF & Co.;

AND WHEREAS NBF & Co. has applied to the Commission (the Application) for an order amending the Clearing Agency Recognition Order to remove NBF & Co. and to include NBG in the definition of "original Maple shareholder" in the Clearing Agency Recognition Order;

AND WHEREAS based on the Application and the representations that NBG & Co. has made to the Commission, the Commission has determined that it is not prejudicial to the public interest to amend the Clearing Agency Recognition Order;

IT IS HEREBY ORDERED that:

(a) pursuant to section 144 of the Act, the definition of "original Maple shareholder" in Part I of Schedule "B" to the Clearing Agency Recognition Order is deleted and replaced with the following:

> "original Maple shareholder" means each of the AIMCo, Caisse de dépôt et placement du Québec, Canada Pension Plan Investment Board, CIBC World Markets Inc., Desjardins Financial Corporation, Dundee Capital Markets Inc., Fonds de solidarité des travailleurs du Québec (F.T.Q.), The Manufacturers Life Insurance Company, National Bank Group Inc., National Bank Financial Inc., Ontario Teachers' Pension Plan Board, Scotia Capital Inc., TD Securities Inc. and 1802146 Ontario Limited;

DATED this 24th day of June, 2014.

"James E.A. Turner"
Commissioner

"Christopher Portner"
Commissioner

Chapter 3

Reasons: Decisions, Orders and Rulings

3.1 OSC Decisions, Orders and Rulings

3.1.1 Rezwealth Financial Services Inc. et al. – ss. 127(1), 127.1

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

AND

IN THE MATTER OF
REZWEALTH FINANCIAL SERVICES INC., PAMELA RAMOUTAR, JUSTIN RAMOUTAR,
TIFFIN FINANCIAL CORPORATION, DANIEL TIFFIN, 2150129 ONTARIO INC.,
SYLVAN BLACKETT, 1778445 ONTARIO INC. and WILLOUGHBY SMITH

REASONS AND DECISION ON SANCTIONS AND COSTS
(Subsection 127(1) and Section 127.1 of the Securities Act)

Hearing:	September 17, 2013		
Decision:	July 8, 2014		
Panel:	Edward P. Kerwin	–	Commissioner and Chair of the Panel
Appearances:	Yvonne Chisolm Catherine Weiler	–	For Staff of the Ontario Securities Commission
	Michael Donsky	–	For Daniel Tiffin and Tiffin Financial Corporation
	Justin Ramoutar	–	For himself, Pamela Ramoutar and Rezwealth Financial Services Inc.
	Willoughby Smith	–	For himself and 1778445 Ontario Inc.
	No one appeared for	–	Sylvan Blackett 2150129 Ontario Inc.

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I. INTRODUCTION

[1] This was a hearing before the Ontario Securities Commission (the "**Commission**") pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "**Act**") to consider whether it is in the public interest to make an order with respect to sanctions and costs against Rezwealth Financial Services Inc. ("**Rezwealth**"), Pamela Ramoutar ("**Ms. Ramoutar**"), Justin Ramoutar ("**Mr. Ramoutar**"), Tiffin Financial Corporation ("**Tiffin Financial**"), Daniel Tiffin ("**Tiffin**"), 2150129 Ontario Inc. ("**215 Inc.**"), Sylvan Blackett ("**Blackett**"), 1778445 Ontario Inc. ("**177 Inc.**") and Willoughby Smith ("**Smith**") (collectively, the "**Respondents**").

[2] The hearing on the merits began on October 31, 2012 and continued from time to time over the course of 16 hearing days until March 1, 2013 (the "**Merits Hearing**"). The decision on the merits was issued on July 17, 2013 (*Re Rezwealth et al.* (2013), 36 O.S.C.B. 7446 (the "**Merits Decision**")).

[3] After the release of the Merits Decision, a separate hearing to consider submissions from Staff and the Respondents regarding sanctions and costs was held on September 17, 2013 (the "**Sanctions and Costs Hearing**").

[4] On September 17, 2013, Staff, Mr. Ramoutar, on behalf of himself, Ms. Ramoutar and Rezwealth (the "**Rezwealth Respondents**"), Smith, on behalf of himself and 117 Inc., and counsel for Tiffin and Tiffin Financial (the "**Tiffin Respondents**") appeared, tendered evidence and/or made submissions at the Sanctions and Costs Hearing. Staff, Mr. Ramoutar and Ms. Ramoutar also filed written submissions on sanctions and costs.

[5] Blackett and 215 Inc. were not represented and did not participate in the Sanctions and Costs Hearing or any other part of the proceeding. In the Merits Decision, I decided that I was satisfied that Staff had served the Respondents with notice of the hearing. I am also satisfied by the Affidavits of Sharon Nicolades, sworn August 13, 2013 and September 12, 2013, that Staff served the Respondents with Staff's written submissions on sanctions and costs. Therefore, I proceeded with the Sanctions and Costs Hearing in the absence of the Respondents who did not appear, in accordance with subsection 7(1) of the *Statutory Powers Procedure Act*, R.S.O. 1990, c. S.22, as amended and Rule 7.1 of the Commission's *Rules of Procedure* (2012), 35 O.S.C.B. 10071 (the "***Rules of Procedure***").

II. THE MERITS DECISION

[1] In the Merits Decision, I concluded that:

(a) The Respondents traded in securities and/or engaged in acts in furtherance of trades in securities without having been registered under the Act to do so, contrary to subsection 25(1)(a), for conduct predating September 28, 2009 and subsection 25(1), for conduct on and after September 28, 2009, of the Act and contrary to the public interest;

(b) The Respondents engaged in an illegal distribution of securities contrary to subsection 53(1) of the Act and contrary to the public interest;

(c) 215 Inc., Blackett, Rezwealth and Ms. Ramoutar participated in acts and engaged in courses of conduct relating to securities that they knew or reasonably ought to have known perpetrated a fraud on persons or companies contrary to subsection 126.1(b) of the Act and contrary to the public interest;

(d) Mr. Ramoutar participated in acts and engaged in a course of conduct relating to securities that he reasonably ought to have known perpetrated a fraud on persons or companies contrary to subsection 126.1(b) of the Act and contrary to the public interest;

(e) Blackett, as officer and director of 215 Inc., Smith, as officer and director of 177 Inc., Ms. Ramoutar, as officer and director of Rezwealth, and Tiffin, as officer and director of Tiffin Financial, authorized, permitted or acquiesced in non-compliance with the Act by the corporate respondents, respectively, and are deemed to have not complied with Ontario securities law pursuant to section 129.2 of the Act and such conduct is contrary to the public interest; and

(f) Mr. Ramoutar, as officer and director of Rezwealth, permitted or acquiesced in non-compliance with the Act by Rezwealth and is deemed to have not complied with Ontario securities law pursuant to section 129.2 of the Act and such conduct is contrary to the public interest.

(Merits Decision, *supra* at para. 280)

III. SANCTIONS AND COSTS REQUESTED

[6] Staff has requested that the following sanctions and costs orders be made against Blackett, 215 Inc. and the Rezwealth Respondents:

(a) that trading in any securities by or of each of them cease permanently;

(b) that the acquisition of any securities by each of them be prohibited permanently;

(c) that any exemptions contained in Ontario securities law not apply to each of them permanently;

(d) that Blackett, Ms. Ramoutar and Mr. Ramoutar resign any position that any of them holds as a director or officer of an issuer;

(e) that Blackett, Ms. Ramoutar and Mr. Ramoutar be prohibited permanently from becoming or acting as a director or officer of any issuer, registrant or investment fund manager;

(f) that Blackett, Ms. Ramoutar and Mr. Ramoutar be prohibited permanently from becoming or acting as a registrant, as an investment fund manager or as a promoter;

(g) that Blackett pay an administrative penalty of $500,000, Ms. Ramoutar pay an administrative penalty of $400,000 and Mr. Ramoutar pay an administrative penalty of $250,000, to be allocated to or for the benefit of third parties in accordance with subsection 3.4(2)(b) of the Act;

(h) that Blackett and 215 Inc. jointly and severally disgorge $1,635,527 and the Rezwealth Respondents jointly and severally disgorge $2,239,111 to the Commission, to be allocated to or for the benefit of third parties in accordance with subsection 3.4(2)(b) of the Act;

(i) that Blackett and 215 Inc. pay $110,000 of the costs of the investigation and hearing, for which they shall be jointly and severally liable; and

(j) that the Rezwealth Respondents pay $90,000 of the costs of the investigation and hearing, for which they shall be jointly and severally liable.

[7] Staff has requested that the following sanctions and costs orders be made against Smith, 177 Inc. and the Tiffin Respondents:

(a) that trading in any securities by or of each of them cease for a period of 5 years;

(b) that the acquisition of any securities by each of them be prohibited for a period of 5 years;

(c) that any exemptions contained in Ontario securities law not apply to each of them for a period of 5 years;

(d) that Smith and Tiffin resign any position that either of them holds as a director or officer of an issuer;

(e) that Smith and Tiffin be prohibited for a period of 5 years from becoming or acting as a director or officer of any issuer, registrant or investment fund manager;

(f) that Smith and Tiffin be prohibited for a period of 5 years from becoming or acting as a registrant, as an investment fund manager or as a promoter;

(g) that Smith and Tiffin each pay an administrative penalty of $25,000, to be allocated to or for the benefit of third parties in accordance with subsection 3.4(2)(b) of the Act;

(h) that Smith disgorge $137,383, 177 Inc. disgorge $41,150 and the Tiffin Respondents disgorge $517,000 to the Commission, to be allocated to or for the benefit of third parties in accordance with subsection 3.4(2)(b) of the Act;

(i) that Smith and 177 Inc. pay $37,658.18 of the costs of the investigation and hearing, for which they shall be jointly and severally liable; and

(j) that the Tiffin Respondents pay $15,000 of the costs of the investigation, for which they shall be jointly and severally liable.

IV. POSITIONS OF THE PARTIES

A. Staff's Submissions

[8] In its submissions, Staff differentiates between respondents who were found to have committed fraud (Blackett, 215 Inc. and the Rezwealth Respondents) and respondents who referred investors to them (Smith, 177 Inc. and the Tiffin Respondents). Staff's submissions on specific sanctions focused on the level of participation of each respondent in the conduct that led to unregistered trading, illegal distributions and, in some cases, fraud. The two categories of submissions on sanctions are discussed separately below.

[9] In support of its submission on costs Staff filed the Affidavit of Michelle Spain, sworn on July 26, 2013, which attaches a bill of costs and time dockets. Staff submits that it employed a conservative approach to its calculation of costs. Staff relies upon the Commission's decision in *Goldpoint Sanctions* for its submission that it is reasonable to order costs incurred for the time of the primary investigator during the investigation and testimony and of the primary counsel assigned to the matter (*Re Goldpoint Resources Corp.* (2013), 36 O.S.C.B. 1464 ("***Goldpoint Sanctions***") at para. 86).

[10] Staff submits that, in taking into account Rule 18.2 of the Commission's *Rules of Procedure*, and the factors cited in the *Ochnik* decision, costs sought should be apportioned in the manner suggested by Staff (*Re Ochnik* (2006), 29 O.S.C.B. 5917 ("***Ochnik***") at para. 29). Staff takes the position that Blackett and 215 Inc. should be ordered to pay costs of $110,000 because they neither participated in the proceeding nor cooperated with Staff. Staff argues that the Rezwealth Respondents should pay $90,000 of costs incurred because despite having cooperated in the investigation and participating in the Merits Hearing, their conduct was nevertheless among the most egregious and took a good portion of the Merits Hearing time. Smith and 177 Inc., Staff submits, should pay costs of $37,658.18 because although he cooperated in the investigation and participated in the Merits Hearing, Staff still expended time proving allegations on the merits and the Tiffin Respondents should pay costs of $15,000 as a result of having only agreed to facts at the beginning of the Merits Hearing.

i. Blackett, 215 Inc. and the Rezwealth Respondents

[11] Staff submits that fraud is one of the most egregious violations of securities law (*Re Al-Tar Energy Corp.* (2010), 33 O.S.C.B. 5535 ("***Al-Tar***") at para. 214). Blackett, personally and through 215 Inc., formulated and perpetrated a fraudulent ponzi scheme (Merits Decision, *supra* at para. 263). Blackett sold investment products referred to as "loan agreements", which investors understood to be for the purpose of engaging in foreign currency ("**forex**") trading (the "**Blackett Investments**"). Staff submits that Blackett and 215 Inc.'s conduct involved multiple contraventions of the Act, over a prolonged period of three years, which was widespread by having raised $3,018,649 from at least 56 investors (Merits Decision, *supra* at para. 223). Blackett and 215 Inc. paid out approximately $1.3 million to investors as represented returns when only $27,540 had been received from forex entities (Merits Decision, *supra* at para. 261). Staff submits that Blackett, as the directing mind of 215 Inc., created and was responsible for the Blackett Investments.

[12] The Rezwealth Respondents raised $2,910,305 from at least 45 investors (Merits Decision, *supra* at para. 232). Staff submits that Ms. Ramoutar, as the directing mind of Rezwealth, created and was responsible for the investment contracts (the

"**Rezwealth Investments**") sold to investors. From July 2009 to December 2009 (the "**2009 Period**"), despite not making payments to or receiving payments from any forex traders, Rezwealth continued to solicit new investments, used new investor funds to pay other investors and repapered existing investment contracts that were not in compliance with the Act (Merits Decision, *supra* at para. 265). Such conduct, Staff argues, involved multiple breaches of the Act, over a sustained period and amounted to a significant level of participation in the capital markets.

[13] Staff submits that Blackett, 215 Inc. and the Rezwealth Respondents cannot be trusted to participate in the capital markets. In particular, Staff submits that Blackett has shown disregard for Ontario securities laws by not participating in the proceeding and has not shown remorse, nor acknowledged the seriousness of his conduct. Staff also takes the position that the written submissions of the Rezwealth Respondents blame others and demonstrate their refusal to take responsibility for their conduct. Staff argues that an aggravating factor for Ms. Ramoutar includes the fact that she was previously registered with the Commission and should have been aware of the registration requirements. Staff further submits that there are no mitigating factors available to Blackett, 215 Inc. or the Rezwealth Respondents. Therefore, Staff takes the position that permanent market and director/officer bans are necessary in the circumstances and that no carve-outs should be granted to Blackett, 215 Inc. or the Rezwealth Respondents (*Re Al-Tar Energy Corp.* (2011), 34 O.S.C.B. 447 ("***Al-Tar Sanctions***") at para. 33; *Re Lyndz Pharmaceuticals Inc.* (2012), 35 O.S.C.B. 7357 ("***Lyndz Sanctions***") at para. 80; and *Goldpoint Sanctions*, *supra* at para. 63).

[14] Staff submits that a joint and several disgorgement in the amount of $1,635,527 by Blackett and 215 Inc. is appropriate as it reflects the amount that was not returned to investors (Merits Decision, *supra* at paras. 223 and 261). Staff submits that the Rezwealth Respondents ought to be ordered to disgorge $2,910,305 collected from investors, less the $671,194 returned to investors, for a net amount of $2,239,111, but not less commission amounts paid to the Tiffin Respondents or any other payments, to Blackett or otherwise (Merits Decision, *supra* at paras. 195, 197, 232 and 265). Staff submits that it is unclear where the amount directed to Blackett and 215 Inc. was ultimately spent and conceded that it may be a part of the funds for which Staff seeks disgorgement from Blackett and 215 Inc.

[15] Staff takes the position that as the directing mind of 215 Inc. and the creator of the Blackett Investments, Blackett should be ordered to pay $500,000 as an administrative penalty. Staff submits that the $500,000 sought is in line with administrative penalties ordered by the Commission in *Lyndz Sanctions*, in which $1.7 million was raised through fraudulent conduct, and *Al-Tar Sanctions*, in which respondents raised $658,109 through a fraudulent scheme (*Lyndz Sanctions*, *supra* at paras. 19, 24 and 110; *Al-Tar Sanctions*, *supra* at paras. 11-12 and 48-55).

[16] Staff relies upon the Commission's decisions in *Maple Leaf Sanctions* and *Goldpoint Sanctions* in support of its submissions on administrative penalties sought from Ms. Ramoutar and Mr. Ramoutar. Staff argues that significant penalties that match the general and specific deterrence required are necessary, including a $400,000 administrative penalty for Ms. Ramoutar and a $250,000 penalty for Mr. Ramoutar. Staff submits that these administrative penalties are proportionate and similar to those ordered in other matters involving findings of fraud, including *Maple Leaf Sanctions*, in which the Commission ordered a $450,000 administrative penalty, and *Goldpoint Sanctions*, in which the Commission ordered a $300,000 administrative penalty (*Re Maple Leaf Investment Fund Corp.* (2012), 35 O.S.C.B. 3075 ("***Maple Leaf Sanctions***") at paras. 7 and 55; and *Goldpoint Sanctions*, *supra* at paras. 5 and 90).

[17] Staff notes that the Blackett Investments scheme occurred over a longer period of time than the Rezwealth Investments scheme and that Blackett used over $1 million of investor funds for personal purposes (Merits Decision, *supra* at para. 261), while Ms. Ramoutar and Mr. Ramoutar and their family members benefited from more than $200,000 of investor funds during the 2009 Period (Merits Decision, *supra* at para. 265). Further, Staff acknowledges that Blackett was found to have been running a fraudulent ponzi scheme from the beginning, while the Rezwealth Respondents were not. Staff further distinguishes the participation level of Ms. Ramoutar and Mr. Ramoutar. Staff submits that while Ms. Ramoutar made decisions to accept or refuse investors and controlled the Rezwealth account, accepting funds into it and directing funds out, Mr. Ramoutar reasonably ought to have known of the fraud perpetrated by his mother, which reflects a lesser degree of participation in the fraud. It is upon these bases that Staff submits the administrative penalties should be calibrated, such that they are proportionate to the level of each respondent's culpability in the matter.

ii. Smith, 177 Inc. and the Tiffin Respondents

[18] Staff submits that, although they did not participate in fraud, Smith, 177 Inc. and the Tiffin Respondents committed significant breaches of the Act, including non-compliance with registration and disclosure requirements over a sustained period of time. Staff relies upon the Commission's decision in *Simply Wealth Sanctions*, which dealt with respondents who also solicited and promoted investments for a forex trading program that, in reality, was a ponzi scheme, for its submissions relating to these respondents (*Re Simply Wealth Financial Group Inc.* (2013), 36 O.S.C.B. 5099 ("***Simply Wealth Sanctions***")). In *Simply Wealth Sanctions*, the Commission acknowledged the importance of registration as a gate-keeping mechanism and stated that the filing of a prospectus is fundamental to the protection of the investing public (*Simply Wealth Sanctions*, *supra* at paras. 28 and 30, citing *Re Limelight Entertainment Inc.* (2008), 31 O.S.C.B. 1727 ("***Limelight***") at para. 135).

[19] Smith referred at least 48 investors who invested approximately $1.2 million in the Blackett Investments (Merits Decision, *supra* at para. 227). The Tiffin Respondents admitted to having referred 19 investors to Rezwealth, who collectively invested approximately $2 million in the Rezwealth Investments (Merits Decision, *supra* at para. 238). Staff submits that all the respondents who referred investors committed multiple breaches over a sustained period and that their level of activity in the marketplace was significant.

[20] Staff submits that Smith was a prior registrant with the Commission, who should have known that his actions were in breach of the Act, and who has not made any acknowledgment of the seriousness of his conduct. Staff notes that Tiffin was also previously registered with the Commission who should have known that his actions were in breach of the Act. However, Staff acknowledges that mitigating factors for Tiffin include his cooperation with Staff in arriving at an agreed statement of facts agreed (the "**Agreed Facts**"), which contributed to efficiency of the hearing and can be viewed as recognition of the seriousness of his conduct.

[21] Staff takes the position that, as in *Simply Wealth Sanctions*, five-year trading, acquisition and exemption application bans are appropriate in the circumstances and may be made subject to carve-outs upon payment of amounts ordered for each of Smith, 177 Inc. and the Tiffin Respondents (*Simply Wealth Sanctions*, *supra* at para. 47). Staff argues that resignation from and prohibitions on becoming or acting as directors and officers for Smith and Tiffin are also necessary to deter these and similar individuals from engaging in such conduct in the future.

[22] Staff relies on Commission decisions in *Simply Wealth Sanctions* and *Sabourin Sanctions* for its submission that Smith, 177 Inc. and the Tiffin Respondents should disgorge the entire amounts received by them in non-compliance with the Act (*Simply Wealth Sanctions*, *supra* at para. 48; and *Re Sabourin* (2010), 33 O.S.C.B. 5299 ("***Sabourin Sanctions***") at para. 65). Staff submits that Smith received $137,383 from Blackett (Merits Decision, *supra* at para. 190), but acknowledges that on the basis of a 10 percent commission, it is possible that $120,000 of that amount could relate to referral fees and the remaining amount to returns on Smith's investment with Blackett. Staff also noted that 177 Inc. received $41,150 in service fees for facilitating monthly payments to investors through its account (Merits Decision, *supra* at para. 227). The Tiffin Respondents agreed to having received $517,000 in referral fees as a result of referring investors to Rezwealth (Merits Decision, *supra* at para. 238). The Tiffin Respondents should be, in Staff's submission, jointly and severally liable to disgorge the full amount of $517,000.

[23] Staff further submits that, in order to achieve specific and general deterrence, administrative penalties should take into account the facts that although these respondents were not found to have engaged in fraud, their activities still amounted to multiple breaches, which enabled them to obtain significant commissions. Staff submits that Smith and Tiffin should each pay an administrative penalty of $25,000. By comparison to Tiffin, Staff took the position that Smith's activity was conducted over a longer period and affected more investors. On the other hand, Tiffin received substantially more in commissions and his referrals constituted roughly two thirds of the amount of funds obtained in the Rezwealth Investments scheme. Therefore, Staff submits that Smith's conduct and Tiffin's conduct were similarly egregious and should be subject to the same penalty. Staff notes that the penalty sought is higher than the $15,000 administrative penalties ordered by the Commission in *Simply Wealth Sanctions*, but distinguishes the matter in this respect because the misconduct in *Simply Wealth Sanctions* related to a shorter period and respondents obtained less in commissions (*Simply Wealth Sanctions*, *supra* at paras. 1, 4 and 52).

B. The Rezwealth Respondents' Submissions

[24] At the Sanctions and Costs Hearing, Mr. Ramoutar asked to be considered separate and apart from Ms. Ramoutar and Rezwealth and submitted that they were not acting in the same mindset and did not always share the same knowledge. Mr. Ramoutar submits that he was 23 years old and was trusting of more experienced professionals when he started his career.

[25] In his written submissions, Mr. Ramoutar submits that he was not a directing mind, did not participate in acts of trading and that neither he nor his mother knew that their actions constituted fraud. Mr. Ramoutar argues that the Rezwealth Respondents were themselves victims of fraud, indicating that Blackett and Smith took money from them and Tiffin gave them instructions to engage in conduct they may not have known was illegal or contrary to the public interest. Mr. Ramoutar submits that he understood organizations could borrow money from people to help the organization to grow and produce a profit that could benefit those people.

[26] At the Sanctions and Costs Hearing, Mr. Ramoutar took issue with Staff's position that Rezwealth received $2.9 million as it did not account for amounts paid to Tiffin, investors or Blackett. Mr. Ramoutar submits that Tiffin was responsible for $2 million raised from investors and that to order Mr. Ramoutar to pay an administrative penalty of $250,000 would be unjust for someone who, in Mr. Ramoutar's submission, only made $35,000 in commissions during the material time. Mr. Ramoutar submits that he currently earns a $30,000 salary and argues that if the Commission requires him to pay the full amount he will be 55 years old before he is able to complete payment. Mr. Ramoutar requested that he be ordered to pay the commissions he made in the amount of $35,000. In his written submissions, Mr. Ramoutar argues that monies shown as withdrawals and payments from Rezwealth's account should be considered as profit and nothing more.

[27] With respect to Ms. Ramoutar, Mr. Ramoutar submits that her goal is and has always been to recover money from Blackett. Mr. Ramoutar submits that any amount ordered to be paid by Mr. Ramoutar or his mother will simply delay their ability to pay back investors, who were friends and family. He submits that he and his mother will continue to try and pay the investors back. In her written submissions, Ms. Ramoutar submits that the Rezwealth Respondents are extremely sorry and "vows to get justice for all".

[28] Mr. Ramoutar submits that it is disproportionate for Staff to seek that a lifetime ban be imposed upon him while seeking only a five-year ban for Tiffin, an experienced market participant. Mr. Ramoutar further submits that the last four years have effectively been a ban imposed upon him. He argues that the matter has hindered his employment opportunities because of his association to this Commission matter. He submits that he has a business administration degree and completed the Canadian Securities Course ("**CSC**"), which are designations that should provide someone with a decent job, but he is not able to get hired and currently works as a debt collector. Mr. Ramoutar submits that any market prohibition upon him from one year to five years will in essence be a lifetime ban because it will prevent him from pursuing the employment that he wants.

[29] With respect to costs, Mr. Ramoutar notes that Staff seeks $90,000 from the Rezwealth Respondents on a joint and several basis and again submits that he be considered separate and apart from his mother and Rezwealth for the purposes of the Commission's order.

[30] I note that a substantial portion of the written submissions made by Mr. Ramoutar and Ms. Ramoutar appeared to re-argue the merits of this matter and were neither relevant to nor of assistance in determining the appropriate sanctions.

C. Smith and 177 Inc.'s Submissions

[31] Smith submits that the $41,150 claimed to have gone to 177 Inc. was an amount paid onward by 177 Inc. to investors on behalf of Blackett and not commission received. However, Smith submits that he understands the request for disgorgement of $137,000 received by him personally.

[32] Smith submits that the sanctions sought for Tiffin are too lenient because Tiffin is the reason the Respondents were involved in the matter.

[33] Smith also submits that a $250,000 administrative penalty for Mr. Ramoutar is too harsh given that the conduct resulted from Mr. Ramoutar following his mother's instructions. Smith questions whether the Commission would have found that Mr. Ramoutar ought to have known about such conduct contrary to the Act if he had worked for another employer, rather than Rezwealth.

[34] Smith also requests that the Panel reconsider the $25,000 administrative penalties sought against him, but notes that he ultimately defers to the discretion of the Commission.

D. The Tiffin Respondents' Submissions

[35] Counsel for Tiffin relies primarily on the *Simply Wealth Sanctions* decision in support of his submissions. The Tiffin Respondents take the position that the five-year market prohibitions and director and officer prohibitions are largely appropriate. They do not take issue with the disgorgement and costs amounts. However, counsel for Tiffin submits that a $15,000 administrative penalty is more appropriate and suggests that a director and officer carve-out and payment mechanism should be incorporated in the Commission's order.

[36] The Tiffin Respondents also submit that prohibitions should not affect trading by them in insurance products and segregated funds regulated by the Financial Services Commission of Ontario ("**FSCO**"). In his oral submissions, counsel for the Tiffin Respondents states that buying and selling of insurance and segregated funds is not under the aegis of the Commission and thus the Commission's prohibition should not affect that activity. Further, counsel for Tiffin submits that notwithstanding the five year director and officer prohibitions, Tiffin should be permitted to continue to operate Tiffin Financial, which is Tiffin's private company and through which he offers products regulated by FSCO.

[37] In *Simply Wealth Sanctions*, a respondent named Persaud, who solicited and promoted investments for a forex trading program, was found to have been duped by promoters of a ponzi scheme and the Commission determined, as a result, that the need for deterrence was on the low end of the scale (*Simply Wealth Sanctions*, *supra* at paras. 1 and 42). Persaud made a voluntary acknowledgement that disgorgement should be ordered (*Simply Wealth Sanctions*, *supra* at para. 39). The Tiffin Respondents submit that their conduct is akin to that of Persuad and note that they take the same position on disgorgement in this matter. Specifically, counsel for the Tiffin Respondents submits that they were not proponents of a fraudulent scheme, but rather they were duped by Blackett, the ultimate promoter who spoke to the Ramoutars and Rezwealth, who was responsible for explaining the business to Tiffin. Counsel for the Tiffin Respondents relies on the findings in *Simply Wealth Sanctions* that while an administrative penalty should be of a magnitude to ensure effective specific and general deterrence, based on a perception that they were acting within the law, it is difficult to appreciate how like-minded persons could be dissuaded from similar conduct

(*Simply Wealth Sanctions*, *supra* at paras. 49 and 51). Therefore, the Tiffin Respondents argue, when considering that the possibility of re-offending would be similarly on the low side, the loss of reputation is evident and given their acceptance of the disgorgement order, a $15,000 administrative penalty, like that ordered in *Simply Wealth Sanctions*, is more appropriate in the circumstances (*Simply Wealth Sanctions*, *supra* at para. 52).

[38] On the facts, the Tiffin Respondents argue that they only directly referred 8 investors and therefore are only responsible for half the funds received by Rezwealth referred to in the Agreed Facts. Their misconduct, the Tiffin Respondents submit, amounts to two emails, a statement on a website, meeting with investors, discussing features of the investment, assisting a few investors in completing agreements and facilitating some payments by delivering cheques to Rezwealth. This can be distinguished, they argue, from conduct of Smith and 177 Inc. who accepted money from investors through 177 Inc.'s account.

[39] The Tiffin Respondents propose that payment of amounts ordered by way of disgorgement, the administrative penalty and costs should be satisfied over time. According to their proposal, the payment of costs and the administrative penalty would be paid over the course of 4 years and the disgorgement amount over the course of 10 years. Under this payment plan, the Tiffin Respondents would pay $6,000 as a first installment of the administrative penalty and costs within 30 days of the Commission's order. On the first through fourth anniversary dates of any such order, $57,700 would be paid, representing the balance of the costs and administrative penalty and the first four payments of disgorgement order and on the fifth through tenth anniversary dates of the order $51,700 would be paid representing the balance of the disgorgement order. Tiffin argues that he would have to remain employed and working as an officer and director of Tiffin Financial in order to earn income to be able to pay for the proposed financial sanctions and costs. Counsel for the Tiffin Respondents also submits that double-counting is a concern and that a possible method to deal with that issue would be an order which states that amounts received from one of the Respondents might reduce the amounts owed by others.

[40] Mitigating factors, the Tiffin Respondents submit, include their cooperation with Staff in arriving at the Agreed Facts, their acknowledgement that the investment contracts were securities, distributions of those securities were made and they engaged in conduct contrary to the public interest and the fact that they appear to be the only respondents who have shown remorse for their conduct. Further, they reiterate the position that they were duped by proponents of the schemes and note that in Ms. Ramoutar's compelled examination she admitted it was her idea to make Tiffin a middleman (Merits Decision, *supra* at para. 147).

[41] Counsel for the Tiffin Respondents filed the Affidavit of Dan Tiffin, sworn on September 15, 2013 ("**Tiffin's Affidavit**"), attaching unaudited financial statements for Tiffin Financial and the 2013 OSC Annual Report, among other things. Tiffin notes that, according to the 2013 OSC Annual Report, 95 percent of assessed sanctions ordered by the Commission are uncollected in contested hearings. Counsel for the Tiffin Respondents submits that penalties do not meet deterrence objectives if they are not paid and argues that Tiffin wants to pay his sanctions, but asks for a realistic possibility of doing so through the proposed payment plan. Counsel for the Tiffin Respondents agrees that the Panel could add a term to extend market participation bans until payments are made in full.

E. Staff's Reply Submissions

[42] In response to the Tiffin Respondents' submissions, Staff does not oppose a carve-out for the sole purpose of Tiffin remaining a director and officer of Tiffin Financial in order to be able to contribute to payments made to the commission. Staff takes no position on the terms of payment and is amenable to any bans continuing until repayment in full until such time as repayment is completed in full. Staff also noted that Tiffin is 61 years old and for Tiffin to complete payments in 10 years it would require him to work until he is 71 years old.

[43] Staff does, however, distinguish between Tiffin and Persaud. Staff submits that in the *Simply Wealth Sanctions* decision, the Commission considered that Persaud was 19 years old, had no experience in the market, received only $90,000 in commissions, was genuinely remorseful and appeared with a $15,000 cheque in anticipation of paying the Commission's order on disgorgement (*Simply Wealth Sanctions*, *supra* paras. 4, 20 and 39). By comparison, Staff submits that Tiffin is 61 year-old former registrant, who received $517,000 in commissions on all 19 investors who were referred directly by him and indirectly through him. Staff submits that if Tiffin collected those commissions he should also be held responsible for them. Therefore, Staff submits that a $25,000 administrative penalty is reasonable.

[44] With respect to Mr. Ramoutar's submission that he only received $35,000 in commissions, Staff argues that the Panel found that Mr. Ramoutar received $51,158 in payments during the 2009 Period (Merits Decision, *supra* at para. 267). Staff also submits that Mr. Ramoutar's ability to pay is relevant, but not determinative (*Sabourin Sanctions*, *supra* at para. 60) and the factor has been afforded limited weight without evidence of income (*Maple Leaf Sanctions*, *supra* at para. 18). Further, Staff argues that, despite his submissions with respect to obtaining his securities designation and participating in the capital markets, Mr. Ramoutar's fraudulent conduct warrants a permanent ban from the industry.

V. THE LAW ON SANCTIONS

[45] The Commission's mandate is to: (i) provide protection to investors from unfair, improper or fraudulent practices; and (ii) foster fair and efficient capital markets and confidence in capital markets (section 1.1 of the Act).

[46] The Commission has a public interest jurisdiction to order sanctions restricting respondents from participating in the Ontario capital markets in the future (*Committee for the Equal Treatment of Asbestos Minority Shareholders v. Ontario (Securities Commission)*, [2001] 2 S.C.R. 132 at para. 43). The Commission's role when imposing sanctions is not to punish past conduct, but to restrain "future conduct that is likely to be prejudicial to the public interest in having capital markets that are both fair and efficient" (*Mithras Management Ltd.* (1990), 13 O.S.C.B. 1600 at p. 1611).

[47] The Commission must ensure that the sanctions imposed are proportionate to the circumstances of the case and the conduct of each respondent. Factors that the Commission has considered in determining appropriate sanctions include:

(a) the seriousness of the allegations;

(b) the respondent's experience in the marketplace;

(c) the level of a respondent's activity in the marketplace;

(d) whether or not there has been recognition of the seriousness of the improprieties;

(e) whether or not the sanctions imposed may serve to deter not only those involved in the case being considered, but any like-minded people from engaging in similar abuses of the capital markets;

(f) any mitigating factors;

(g) the size of any profit made or loss avoided from the illegal conduct;

(h) the size of any financial sanctions or voluntary payment when considering other factors;

(i) the effect any sanction might have on the livelihood of a respondent;

(j) the restraint any sanctions may have on the ability of a respondent to participate without check in the capital markets;

(k) the reputation and prestige of the respondent;

(l) the shame or financial pain that any sanction would reasonably cause to the respondent; and

(m) the remorse of the respondent.

(*Re Belteco Holdings Inc.* (1998), 21 O.S.C.B. 7743 ("***Belteco***") at paras. 23-26; *Re M.C.J.C. Holdings Inc.* (2002), 25 O.S.C.B. 1133 ("***M.C.J.C. Holdings***") at p. 5)

[48] Deterrence is an important factor that the Commission may consider when determining appropriate sanctions. In *Cartaway*, the Supreme Court of Canada stated that: "…it is reasonable to view general deterrence as an appropriate, and perhaps necessary, consideration in making orders that are both protective and preventative" (*Re Cartaway Resources Corp.*, [2004] 1 S.C.R. 672 at para. 60).

[49] The panel in *Limelight Sanctions* considered the deterrent purpose of administrative penalties. Specifically, the Commission stated:

> The purpose of an administrative penalty is to deter the particular respondents from engaging in the same or similar conduct in the future and to send a clear deterrent message to other market participants that the conduct in question will not be tolerated in Ontario capital markets.
>
> (*Re Limelight Entertainment Inc.* (2008), 31 O.S.C.B. 12030 ("***Limelight Sanctions***") at para. 67)

[50] There is no formula for determining an administrative penalty. Factors to be considered in determining an appropriate administrative penalty include: the seriousness of the misconduct; whether there were multiple and/or repeated breaches of the Act; the amount of money raised from investors; and the level of administrative penalties imposed in other cases (*Limelight Sanctions*, *supra* at paras. 71 and 78).

[51] Subsection 127(1)10 of the Act provides that a person or company that has not complied with Ontario securities law can be ordered to disgorge to the Commission "any amounts obtained" as a result of the non-compliance. When determining the appropriate disgorgement orders, the Commission is guided by a non-exhaustive list of factors set out in *Limelight Sanctions* at para. 52, including:

(a) whether an amount was obtained by a respondent as a result of non-compliance with the Act;

(b) the seriousness of the misconduct and the breaches of the Act and whether investors were seriously harmed;

(c) whether the amount that a respondent obtained as a result of non-compliance with the Act is reasonably ascertainable;

(d) whether the individuals who suffered losses are likely to be able to obtain redress; and

(e) the deterrent effect of a disgorgement order on the respondents and other market participants.

VI. SPECIFIC SANCTIONING FACTORS

[52] In determining appropriate sanctions, the Commission is guided by the factors set out in *Belteco* and *M.C.J.C. Holdings*. I have considered the factors summarized in the following paragraphs to be applicable in this matter.

A. Seriousness of Misconduct and Breaches of the Act

[53] Registration is a cornerstone of securities law which serves as a gate-keeping function to ensure only properly qualified individuals are permitted to trade with, or on behalf of, the public (*Limelight*, *supra* at para. 135). The prospectus fulfills an important disclosure requirement to ensure that investors are able to make informed decisions (*Simply Wealth Sanctions*, *supra* at para. 30). All of the Respondents violated sections 25 and 53 of the Act relating to registration and disclosure, core elements of the securities regulatory regime.

[54] Further, Blackett, 215 Inc. and the Rezwealth Respondents engaged in fraud, which has been found to be one of the most egregious violations of securities law (*Al-Tar*, *supra* at para. 214). In essence, Blackett and 215 Inc. formulated a fraudulent ponzi scheme cultivated through misrepresentations and involving payments to early investors out of funds received from later investors (Merits Decision, *supra* at para. 263). During the 2009 Period, the Rezwealth Respondents caused new investor funds to be paid to other investors under the guise that payments were returns on the Rezwealth Investments and repapered existing investment contracts that failed to comply with Ontario securities law (Merits Decision, *supra* at para. 265). These combined breaches of the five respondents who violated subsection 126.1(b) of the Act, demonstrate a serious pattern of non-compliance and blatant disregard for securities law. The situation is aggravated further for Blackett and Ms. Ramoutar, as the directing minds of 215 Inc. and Rezwealth, respectively, who created and are responsible for the Blackett Investments and the Rezwealth Investments, respectively.

B. The Respondents' Experience in the Marketplace

[55] Ms. Ramoutar was previously registered with the Commission as a mutual fund dealer from March 2002 to December 2004 (Merits Decision, *supra* at para. 15). Smith was also previously registered with the Commission as a mutual fund dealer from May 2002 to September 2005, as was Tiffin for a period until 1999 (Merits Decision, *supra* at paras. 14 and 16). Each of them should have been aware of the registration requirements. Their prior experience in the capital markets is an aggravating factor for each, which is not present for the other Respondents.

[56] I accept that Mr. Ramoutar was 23 years old at the time of the impugned conduct and relied, to some extent, on the expertise and instructions of others including those respondents who were previously registered. Although his inexperience is a mitigating factor for Mr. Ramoutar, it does not exculpate him because he was well-educated and reasonably ought to have known that he was undertaking dishonest acts, which could and did put investors' financial interests at risk.

C. Level of Activity in the Marketplace

[57] Over a prolonged period of three years Blackett and 215 Inc. raised $3,018,649 from at least 56 investors for a ponzi scheme perpetrated by them (Merits Decision, *supra* at paras. 37, 223 and 263). The Rezwealth Respondents raised $2,910,305 from at least 45 investors over a period of two years, of which $970,940 was received in the 2009 Period (Merits Decision, *supra* at paras. 79, 195 and 232). Smith referred at least 48 investors who invested approximately $1.2 million in the Blackett Investments and the Tiffin Respondents referred at least 19 investors who invested approximately $2 million in the Rezwealth Investments (Merits Decision, *supra* at paras. 227 and 238). 177 Inc. facilitated Blackett's payments to investors (Merits Decision, *supra* at para. 227). Taken as a whole, the Respondents committed multiple breaches over a sustained period and their level of activity in the marketplace was significant.

D. Respondents' Recognition of the Seriousness of their Conduct and Remorse

[58] I find that the Tiffin Respondents' admissions, by way of the Agreed Facts, are a recognition of the seriousness of their conduct and, therefore, a mitigating factor for them.

[59] Smith accepted that the amounts received as commissions by him ought to be disgorged. I accept this as an acknowledgment of a degree of responsibility for his conduct and a minor mitigating factor for him.

[60] Blackett did not attend the Merits Hearing or the Sanctions and Costs Hearing. Neither Blackett nor 215 Inc. has expressed any remorse or shown any recognition of the seriousness of their misconduct.

[61] In their submissions, the Rezwealth Respondents repeatedly blamed others for conduct resulting in losses to investors. However, Mr. Ramoutar and Ms. Ramoutar did express remorse. In written submissions, Ms. Ramoutar states that the Rezwealth Respondents are "extremely sorry". Both Mr. Ramoutar and Ms. Ramoutar submit that they intend to try to pay back investors, who were family and friends. I consider this to be a mitigating factor, but it is, at the time of the Sanctions and Costs Hearing, a mere statement of intention, without any evidence of any steps proposed to fulfill the stated intentions; as such their expression of remorse is a minor mitigating factor for them.

E. Specific and General Deterrence

[62] Given the seriousness of the conduct, particularly fraudulent activities, it is important that the Respondents and like-minded individuals should be deterred from doing so in the future by imposing appropriate sanctions, which reflect the harm done to investors. I find that specific deterrence is necessary for all the Respondents in this case. In the circumstances of this matter, I am sympathetic to the view ascribed to in *Simply Wealth Sanctions* that respondents such as Smith, 177 Inc. and the Tiffin Respondents were not proponents of fraudulent schemes and, therefore, did not necessarily appreciate that their conduct might cause harm to investors. However, there are additional circumstances in this matter, Smith and 177 Inc. were actively involved in introducing Ms. Ramoutar and Rezwealth to Blackett and 215 Inc. as well as soliciting 48 investors for the Blackett Investments in the amount of $1.2 million and facilitating payments by Blackett and 215 Inc. (Merits Decision, *supra* at para. 227). Also, the Tiffin Respondents were actively involved in soliciting and referring 19 investors for the Rezwealth Investments in the amount of approximately $2 million (Merits Decision, *supra* at para. 238).

F. Size of Profit Gained or Loss Avoided from Illegal Conduct

[63] I find that Blackett and 215 Inc. obtained from investors as a result of non-compliance with Ontario securities law the amount of $1,635,527, which represents the difference between $3,018,649 obtained by Blackett and 215 Inc. from investors and $1,383,122 paid by Blackett and 215 Inc. to investors (Merits Decision, *supra* at paras. 223 and 261). In the Merits Decision, I found that Blackett used at least $1,025,955 of investor funds raised through the sale of the Blackett Investments for personal purposes (Merits Decision, *supra* at para. 262). Further, I found that Blackett paid Smith commissions of at least $120,000 and paid 177 Inc. services fees of $41,150(Merits Decision, *supra* at para. 227). I find that those payments left Blackett with a net amount of $1,474,377 illegally obtained.

[64] Smith admittedly received a 10 percent referral fee, totalling at least $120,000, from the sales of the Blackett Investments and 177 Inc. received $ 41,150 in services fees for facilitating payments to investors (Merits Decision, *supra* at para. 227). I do not accept Smith's submission that the $41,150 paid to 177 Inc. was an amount that went to repay investors. His submission on this point appears to revisit the merits and I find no reason to depart from findings that I have made in respect of that amount, received by 177 Inc. for non-compliance with the Act.

[65] I found that the conduct of the Rezwealth Respondents resulted in actual losses of $2,239,111 to investors representing the difference between $2,910,305 obtained by the Rezwealth Respondents from investors and $671,194 paid by the Rezwealth Respondents to investors (Merits Decision, *supra* at paras. 197, 232 and 265). However, of the investor funds raised by the Rezwealth Respondents, $575,175 was paid to Blackett and Tiffin Respondents received at least $517,000 as commissions (Merits Decision, *supra* at paras. 197 and 238). I find that those payments left the Rezwealth Respondents with a net amount of $1,146,936 illegally obtained. The Rezwealth Respondents and their family received $565,861 from Rezwealth's bank account (Merits Decision, *supra* at para. 197).

[66] I accept that Mr. Ramoutar personally received at least $51,158 in payments from the Rezwealth Account during the 2009 Period for his conduct contrary to the Act (Merits Decision, *supra* at para. 267).

[67] By their own admission, the Tiffin Respondents received $517,000 from referrals that resulted in sales of the Rezwealth Investments (Merits Decision, *supra* at para. 238).

[68] None of the Respondents should be permitted to profit from amounts obtained by them as a result of their non-compliance with Ontario securities law.

G. Respondent's Ability to Pay

[69] Ability to pay is one factor to consider in determining the appropriate sanctions, but it is well established that it is not a determinative factor (*Sabourin Sanctions*, *supra* at para. 60). I have considered the submissions with respect to Mr. Ramoutar's financial position, particularly his representations that he only has income of $30,000 and that it would take him 25 years to pay back the administrative penalty sought by Staff. Mr. Ramoutar did not provide me with evidence in support of his submissions on inability to pay. In the absence of such evidence, I am unable to give weight to the submission in determining the appropriate sanctions for Mr. Ramoutar.

H. Effect of Sanctions on Livelihood of Respondents

[70] Mr. Ramoutar submits that his employment opportunities have already been affected and that further bans would prevent him from pursuing a career in capital markets:

> I have a business admin degree; I also have my CSC, my securities licence. Anybody with those designations would have a decent job at this point. I just simply can't get it.
>
> […]
>
> [A]s far as a ban in the industry or any judgment again [*sic*] my name will, in essence, be a lifetime ban for me, whether it be one year, five years or anything further than that. It will prevent me from doing anything that I want to do at all as far as employment is concerned.
>
> (Hearing Transcript of September 17, 2013 at pp. 61-62)

[71] I have taken into account Mr. Ramoutar's submission in this regard. However, I am also mindful that Mr. Ramoutar made a choice to engage in conduct that was harmful to investors and to the integrity of Ontario's capital markets. I agree with the Divisional Court's decision that participation in the capital markets is a privilege and not a right (*Erikson v. Ontario (Securities Commission)*, [2003] O.J. No. 593 at para. 55 ("***Erikson***")).

[72] While Ms. Ramoutar, Smith and Tiffin were former registrants with the Commission, there were no submissions from any of them that they wished to pursue a career as a registrant going forward.

I. Shame that Sanctions Would Reasonably Cause to the Respondents

[73] Mr. Ramoutar made submissions on loss of reputation, including that he is "unable to gain any kind of decent employment because of [his] name on the internet in this case" (Hearing Transcript of September 17, 2013 at p. 61). I have considered the reputational damage caused to the Rezwealth Respondents, but do not find it to be determinative; particularly, in light of the findings of fraud made in the Merits Decision.

VII. APPROPRIATE SANCTIONS IN THIS MATTER

[74] In determining the appropriate sanctions, I have remained cognizant of the role and conduct of each of the Respondents. I have also taken into account the Merits Decision findings of contraventions of the Act, which differ between certain of the Respondents, the submissions of the parties, the evidence before me and the sanctioning factors discussed above.

A. Trading, Acquisition and Exemption Prohibitions

[75] I agree that the conduct of the Respondents warrants the imposition of certain trading, acquisition and exemption prohibitions that are commensurate with each one's conduct. I am guided by the Divisional Court's view that participation in the capital markets is a privilege and not a right (*Erikson*, *supra*).

[76] I have considered decisions in which the Commission ordered permanent cease trade bans, acquisition bans and exemption application bans, without exception, in circumstances where respondents were found to have engaged in fraud. In *Al-Tar Sanctions* and *Goldpoint Sanctions*, the Commission ordered similar sanctions where securities were sold to investors through salespersons who were found to have contravened sections 25, 53 and 126.1(b) of the Act, among others (*Al-Tar Sanctions*, *supra* at paras. 10 and 33; *Goldpoint Sanctions*, *supra* at paras. 5, 33 and 90). In *Lyndz Sanctions*, the Commission ordered permanent bans for respondents who breached sections 53 and 126.1(b) of the Act (*Lyndz Sanctions*, *supra* at paras. 26 and 110). In *Maple Leaf Sanctions*, the Commission found that all respondents ought to be permanently prohibited from trading, acquiring and having exemptions apply to them, despite the fact that two of the respondents were not found to have engaged in fraudulent conduct (*Maple Leaf Sanctions*, *supra* at para. 6-10 and 55).

[77] The activity of Blackett, 215 Inc. and the Rezwealth Respondents involved multiple serious contraventions of the Act. Their unlawful activity was prolonged, occurring over a three-year period, in the case of Blackett and 215 Inc., and over a two year period, in the case of the Rezwealth Respondents, and affected many investors and raised significant amounts of money.

[78] I find that Blackett and Ms. Ramoutar were the principal actors and the responsible directing minds of 215 Inc. and Rezwealth, respectively, through which they directly participated in acts and engaged in a course of conduct relating to securities, that they knew or reasonably ought to have known perpetrated a fraud in investors (Merits Decision, *supra* at paras. 262-263, 266 and 268). Blackett was also the beneficiary of a large proportion of investor funds directed to him and 215 Inc. for the purpose of forex trading (Merits Decision, *supra* at para. 262).

[79] I do not accept Mr. Ramoutar's submission that it is disproportionate for lifetime bans be imposed upon him, if Tiffin is subjected to only five-year bans. Although Tiffin is an experienced market participant, he was not found to have engaged in conduct that he ought to have known perpetrated a fraud on investors. Despite knowing that Rezwealth was not receiving payments from Blackett during the 2009 Period, Mr. Ramoutar continued to accept new investor funds and personally received at least $51,158 in payments from Rezwealth's bank account during that time (Merits Decision, *supra* at para. 267). I have found that Mr. Ramoutar reasonably ought to have known that by such conduct he was undertaking dishonest acts, which could and did put investors' financial interest at risk (Merits Decision, *supra* at para. 267). There is no evidence that Tiffin engaged in or otherwise had knowledge of the fraudulent conduct perpetrated by Blackett, 215 Inc. or the Rezwealth Respondents.

[80] Mr. Ramoutar also submits that any market prohibition upon him from one year to five will in essence be a lifetime ban because it will prevent him from pursuing employment of his choice. It is precisely Mr. Ramoutar's desire to remain an active participant in the capital markets, in circumstances where he either denies or does not appreciate that he ought to have known that he engaged in fraudulent conduct, which leads me to the conclusion that he should not be permitted to trade in or acquire securities or seek exemption application permanently. As noted above, participation in the capital markets is a privilege, not a right (*Erikson*, *supra*).

[81] I am not confident that Blackett, 215 Inc. or the Rezwealth Respondents can be trusted to participate in the capital markets, even in a limited capacity and I find that the public interest is served by ordering that none of them be permitted to trade in or acquire securities and that exemptions contained in Ontario securities law do not apply to them on a permanent basis. I agree that no carve-outs for personal trading should be granted for any of these respondents.

[82] In *Simply Wealth Sanctions*, the Commission considered circumstances much like those of Smith, 177 Inc. and the Tiffin Respondents, where respondents solicited and promoted investments for a forex trading program that, in reality, was a ponzi scheme (*Simply Wealth Sanctions*, *supra* at paras. 1-2). In that matter, the Commission ordered five-year prohibitions on trading in or acquisition of securities and exemption application, in circumstances where respondents were found to have violated sections 25 and 53 of the Act (*Simply Wealth Sanctions*, *supra* at paras. 3 and 54). The panel also permitted the individual respondents to have a trading, acquisition and exemption application carve-out for Registered Retirement Savings Plans ("**RRSPs**") after they fully satisfy orders for administrative penalties and disgorgement (*Simply Wealth Sanctions*, *supra* at paras. 47 and 54).

[83] Smith, 177 Inc. and the Tiffin Respondents engaged in acts in furtherance of trades, without being registered to do so, over a sustained period of time and resulting in a distribution of securities, contrary to sections 25 and 53 of the Act. In this matter there are additional aggravating circumstances, which I have described in paragraph [62] above. As noted above, Smith, 177 Inc. and the Tiffin Respondents acted in furtherance of trades by referring investors to Blackett, 215 Inc. and Rezwealth (Merits Decision, *supra* at paras. 227 and 238). I acknowledge that these respondents were not the principal proponents of fraudulent schemes, but nonetheless were engaged in illegal activities, which promoted the fraudulent scheme and, therefore, I find that it is in the public interest to order that they cease trading in securities, be prohibited from acquiring securities and that exemptions contained in Ontario securities law not apply to them for a period of five years.

[84] I find that Smith, 177 Inc. and the Tiffin Respondents should be granted an exception for personal trading upon full satisfaction of payments ordered in respect of administrative penalties and disgorgement for each.

[85] I also note that counsel for Tiffin made reference to FSCO, but also stated that Commission's prohibitions should not affect activity regulated by FSCO in any event. Counsel for Tiffin provided no context or explanation for how the Commission's order would impact those activities nor did he request a specific exemption for certain conduct. Therefore, I make no findings in this respect, except to note that, if Tiffin's future conduct falls within the Commission's jurisdiction, this decision and accompanying order is not intended to preclude the exercise of such public interest jurisdiction.

B. Other Market Prohibitions

[86] Given their misconduct, I agree that none of Blackett, Ms. Ramoutar, Mr. Ramoutar, Smith or Tiffin (the "**Individual Respondents**") should be entitled to become or act as registrants, investment fund managers or as promoters. As stated above, I have no confidence in the future conduct of Blackett, Ms. Ramoutar or Mr. Ramoutar, having found that they engaged in

fraudulent conduct resulting in significant losses to investors (Merits Decision, *supra* at paras. 261 and 265). Ms. Ramoutar, Smith and Tiffin were also former registrants with the Commission (Merits Decision, *supra* at paras. 14-16). Smith and Tiffin were not creators of the Blackett Investments or the Rezwealth Investments, although Smith did introduce Ms. Ramoutar to Blackett and 215 Inc., Smith and Tiffin each solicited and referred numerous investors in the Blackett Investments and Rezwealth Investments, respectively, and the prohibitions ordered against them must be placed into context with the overall conduct of the Respondents. To protect the public, I find that it is appropriate to impose permanent market prohibitions on Blackett, Ms. Ramoutar and Mr. Ramoutar and to impose market prohibitions on Smith and Tiffin for five years each, to ensure that they do not become or act as registrants, investment fund managers or as promoters for the respective amounts of time.

[87] As noted above, Mr. Ramoutar submits that the last four years have effectively been a ban imposed upon him and that any market prohibition will prevent him from pursuing employment of his choice. Despite having represented that he had completed his Canadian Securities Course, Mr. Ramoutar states the following in his closing submissions:

> From what I was told "promissory notes", "debentures", and "participation agreement" were all forms of borrowing money and we didn't need a license to be able to do that. People are allowed to lend money to organizations to help them grow and produce a profit and in return people can benefit from that as well.
>
> (Closing Submissions of Justin Ramoutar at p. 3)

It is not clear from this submission that Mr. Ramoutar has an adequate understanding of the broad definition of "security" or the securities regulatory framework which governs the capital markets. This combined with the egregious fraudulent conduct noted above leads me to conclude that he ought to be permanently prohibited from becoming or acting as a registrant, investment fund manager or as a promoter.

[88] As Staff did not seek orders prohibiting any of the corporate respondents from becoming or acting as a registrant, as an investment fund manager or as a promoter, I make no findings in that regard.

C. Director and Officer Bans

[89] Having reviewed the above noted cases, I am guided by previous findings of the Commission that permanent director and officer bans, coupled with permanent trading, acquisition and exemption prohibitions, are found to be appropriate in matters involving unregistered trading, the illegal distribution of securities and fraud (*Al-Tar Sanctions*, *supra* at paras. 10 and 37; *Goldpoint Sanctions*, *supra* at paras. 5, 33 and 90; *Lyndz Sanctions*, *supra* at paras. 26 and 110; *Maple Leaf Sanctions*, *supra* at paras. 6-10 and 55).

[90] All of the Individual Respondents were officers, directors and/or directing minds of corporate respondents in this matter (Merits Decision, *supra* at paras. 275-278). The Individual Respondents used their positions of control over the corporate respondents to cause those entities to breach Ontario securities laws. With the exception of Mr. Ramoutar, the Individual Respondents were found to have authorized, permitted or acquiesced in non-compliance with Ontario securities law by the corporate respondents and Mr. Ramoutar was found to have permitted or acquiesced in non-compliance with Ontario securities law by Rezwealth (Merits Decision, *supra* at para. 279).

[91] The fact that the Individual Respondents used their positions to further conduct contrary to the Act and contrary to the public interest reinforces my decision that they should resign all positions as directors or officers of an issuer. Having considered their level of participation, I find that proportionate sanctions would be for Blackett, Ms. Ramoutar and Mr. Ramoutar to be permanently prohibited and for Smith and Tiffin each to be prohibited for five years from becoming or acting as officers or directors of any issuer, registrant or investment fund manager. The latter period reflects my agreement with the similar directors and officers sanctions recently imposed on individual respondents by the Commission in *Simply Wealth Sanctions*, *supra* at para. 54.

[92] Having heard and considered the submissions of Tiffin's counsel, I am prepared to allow that Tiffin be granted a carve-out to act as a director or officer of Tiffin Financial, for the purpose of engaging in non-securities regulated business I was persuaded that Tiffin's director and officer exception request is part and parcel of his genuine attempt to pay amounts ordered by the Commission as disgorgement, an administrative penalty and costs, despite the fact that he will have to work until the age of 71 to full satisfy payments under the proposed plan.

[93] In my view, the orders for resignation and imposition of varying director and officer bans will ensure that the Individual Respondents will not be placed in a position of control or trust with respect to issuers, registrants or investment fund managers in the near future. These orders serve to ensure general and specific deterrence for the Individual Respondents and like-minded individuals. In the case of Smith and Tiffin, I agree that the need for deterrence was not at the same end of the scale as they were not the principal proponents of the fraudulent schemes (*Simply Wealth Sanctions*, *supra* at para. 42).

D. Disgorgement

[94] I have considered the non-exhaustive list of factors set out in Limelight Sanctions in determining appropriate disgorgement orders (*Limelight Sanction*s, *supra* at para. 52).

[95] Blackett and 215 Inc. raised $3,018,649 from at least 56 investors for a ponzi scheme perpetrated by them (Merits Decision, *supra* at paras. 37, 223 and 263), while, an amount of $1,383,122 was returned to investors by Blackett and 215 Inc. during the same period; accordingly, their fraudulent conduct resulted in actual losses of $1,635,527 for the investors (Merits Decision, *supra* at paras. 223 and 261). Blackett and/or 215 Inc. paid at least $120,000 of the investor funds to Smith as commissions for Smith's referrals of investors in furtherance of the ponzi scheme and paid $41,150 to 177 Inc. as services fees (Merits Decision, *supra* at paras. 227). I find that $1,474,377 was obtained by Blackett and 215 Inc. as a result of their non-compliance with the Act, representing the amount of investor funds not returned to investors less the amounts paid to Smith and 177 Inc. and to be disgorged by them. There is no question that investors were seriously harmed by Blackett and 215 Inc.'s fraudulent conduct, which is amongst the most egregious violations of securities law (*Al-Tar*, *supra* at para. 214). The amount of $1,474,377 is reasonably ascertainable based on the findings in the Merits Decision. In my view, investors who suffered losses are unlikely to be able to obtain redress and a strong deterrent message is warranted, particularly since Blackett and 215 Inc. formulated the fraudulent ponzi scheme that was at the core of the misconduct of all the Respondents. Blackett and 215 Inc. must not be permitted to profit from their conduct contrary to the Act.

[96] In the Merits Decision, I found that the conduct of the Rezwealth Respondents resulted in actual losses of $2,239,111 to investors (Merits Decision, *supra* at para. 265). However, of the investor funds raised by the Rezwealth Respondents, $575,175 was paid to Blackett and the Tiffin Respondents received at least $517,000 as commissions (Merits Decision, *supra* at paras. 197 and 238). I find that as a result of its non-compliance with the Act, Rezwealth, under the direction of Ms. Ramoutar, obtained $1,146,936, representing the amount of investor funds not returned to investors less the amounts paid to Blackett and the Tiffin Respondents and to be disgorged by them. I do not accept Mr. Ramoutar's written argument that monies "shown as withdrawals or payments should be considered as profit and nothing more" (Closing Submissions of Justin Ramoutar at p. 4). The very purpose of disgorgement is to ensure respondents do not retain financial gain from their non-compliance with the Act (*Sabourin Sanctions*, *supra* at para. 65). The Rezwealth Respondents should not be permitted to profit from their conduct contrary to the Act.

[97] I accept that Mr. Ramoutar personally received at least $51,158 in payments from the Rezwealth Account during the 2009 Period for his conduct contrary to the Act (Merits Decision, *supra* at para. 267). I am persuaded to order Mr. Ramoutar to disgorge this amount separately from disgorgement ordered of the Rezwealth Respondents. The Rezwealth Respondents should not be permitted to profit from their conduct contrary to the Act.

[98] As with the Blackett Investments, investors were seriously harmed by the Rezwealth Respondents' fraudulent conduct, unregistered trading and illegal distribution of securities. I find that the amount of $1,146,936 is reasonably ascertainable based on the findings in the Merits Decision. I am not persuaded that investors who suffered losses are likely to obtain redress from the Rezwealth Respondents. Mr. Ramoutar himself submits that any amount ordered to be paid by the Commission will hinder their ability to pay back investors. Although it does not appear that the Rezwealth Respondents created a fraudulent scheme as Blackett did, their conduct nonetheless resulted in deprivation to investors because of activities that they either knew or ought to have known perpetrated a fraud. Therefore, a strong deterrent message for the Rezwealth Respondents and other like-minded market participants who engage in similar conduct, is necessary. The separate order for disgorgement by Mr. Ramoutar reduces the amount to be ordered disgorged by the Rezwealth Respondents to $1,095,778.

[99] Smith admittedly received a 10 percent referral fee, totalling at least $120,000, from the sales of the Blackett Investments and 177 Inc. received $ 41,150 in services fees for facilitating payments to investors (Merits Decision, *supra* at para. 227). Absent clear and cogent evidence that Smith received amounts above $120,000 for his non-compliance with the Act, as opposed to returns on his investments with Blackett, I am not prepared to accept Staff's submission that he ought to be ordered to disgorge $137,383. I find that Smith obtained $120,000 and 177 Inc. obtained $41,150 for their non-compliance with Ontario securities law and that these amounts are reasonably ascertainable on the basis of the Merits Decision. As stated above, I do not accept Smith's submission that the $41,150 paid to 177 Inc. was an amount that went to repay investors.

[100] By their own admission, the Tiffin Respondents received $517,000 in referral fees, which amounts to commission, from the sales of the Rezwealth Investments (Merits Decision, *supra* at paras. 227 and 238). I note that the Commission received evidence that the Tiffin Respondents received $577,000 in commissions from Rezwealth, but ultimately accepted the Agreed Facts, wherein it was agreed that the Tiffin Respondents received $517,000 in commissions (Merits Decision, *supra* at para. 201). I accept that the Tiffin Respondents obtained $517,000 by virtue of their non-compliance with Ontario securities law and that this amount is reasonably ascertainable based on the Merits Decision.

[101] Smith, 177 Inc. and the Tiffin Respondents engaged in unregistered trading and a non-exempt distribution of a significant amount of securities. Such conduct disregards the importance of the gate-keeping function of registration and the need for disclosure to ensure that investors are able to make informed decisions (*Limelight*, *supra* at para. 135; *Simply Wealth*

Sanctions, *supra* at para. 30). Their activities were harmful to investors, who suffered losses that I find they are unlikely to recuperate. While Smith did not play a leading role in the fraudulent scheme perpetrated by Blackett, having previously been a registrant, I find Smith should have been more cautious in assessing whether he and 177 Inc. were engaging in registrable activity. Furthermore, Smith introduced Ms. Ramoutar to Blackett and 215 Inc. and the fraudulent ponzi scheme formulated by them. Likewise, Tiffin, also having previously been a registrant, ought to have been more cautious in assessing whether he and Tiffin Financial were engaging in registrable activity. Therefore, some specific and general deterrence is needed in these circumstances.

[102] In *Sabourin Sanctions*, the panel ordered joint and several disgorgement of the $33.9 million obtained from investors less $6 million that appeared to have been returned to investors (*Sabourin Sanctions*, *supra* at para. 70). The panel in that matter found that joint and several liability of Sabourin and the corporate respondents was appropriate because as the directing and controlling mind of the companies it would be impossible to treat them differently (*Sabourin Sanctions*, *supra* at para. 70). Staff submits that joint and several liability could be ordered in this matter for the corporate respondents and their principals. I agree that the conduct of 215 Inc., Rezwealth and Tiffin Financial was so interwoven and directed by Blackett, Ms. Ramoutar, Mr. Ramoutar and Tiffin, respectively as their principal officers and directors that those Individual Respondents, should be jointly and severally responsible with their respective corporate entities for amounts obtained as a result of their non-compliance. Although, I did not find that Mr. Ramoutar was the directing mind of Rezwealth, I did conclude that he was a director and officer, who authorized Rezwealth's promotional materials, provided direction to Rezwealth's consultant and met with investors on behalf of Rezwealth (Merits Decision, *supra* at paras. 232 and 277). Insofar as Mr. Ramoutar's involvement was not as great as Ms. Ramoutar's, he should be jointly and severally liable with Rezwealth and Ms. Ramoutar to the extent of one-half the amount of $1,095,778.

[103] Counsel for the Tiffin Respondents submits that double counting is a concern and proposes an order which states that amounts received from one of the Respondents might reduce the amounts owed by others. To the extent reasonable, I have endeavoured to avoid or overcome double-counting in respect of disgorgement orders.

[104] In respect of disgorgement to be ordered against the Rezwealth Respondents, Staff conceded that funds directed by Rezwealth to Blackett may be a part of the funds for which Staff seeks disgorgement from Blackett and 215 Inc., which could result in double counting. I agree with Mr. Ramoutar's submission that amounts paid from Rezwealth bank account to Blackett and Tiffin, and ordered to be disgorged by them, ought to be deducted from the disgorgement ordered against any of the Rezwealth Respondents. Further, the amount of $51,158 ordered to be disgorged by Mr. Ramoutar alone ought to be deducted from other disgorgement orders against the Rezwealth Respondents. I also agree that the amount paid by Blackett and/or 215 Inc. to Smith and 177 Inc., and ordered to be disgorged by them, ought to be deducted from the disgorgement ordered against Blackett and/or 215 Inc. in this case.

[105] The conduct of the Respondents, particularly the fraudulent activities of Blackett, 215 Inc. and the Rezwealth Respondents, was serious and resulted in substantial harm to investors. I find it unlikely that investors in the Blackett Investments and/or the Rezwealth Investments who suffered losses will be able to obtain redress. Under the circumstances, I find that it is appropriate to order Blackett and 215 Inc. to jointly and severally disgorge $1,474,377, the Rezwealth Respondents to jointly and severally disgorge $547,889, Ms. Ramoutar and Rezwealth to jointly and severally disgorge $547,889, Mr. Ramoutar to disgorge $51,158, Smith to disgorge $120,000, 177 Inc. to disgorge $41,150 and the Tiffin Respondents to jointly and severally disgorge $517,000, obtained by each as a result of their non-compliance with the Act.

E. Administrative Penalties

[106] I have considered the factors noted above to be considered in determining an appropriate administrative penalty (*Limelight Sanctions*, *supra* at paras. 71 and 78).

[107] I find that orders for administrative penalties against Blackett in the amount of $500,000 Ms. Ramoutar in the amount of $250,000 and Mr. Ramoutar in the amount of $150,000 are appropriate in the circumstances. Each committed multiple and repeated violations of the Act, which caused serious harm to investors. Blackett and 215 Inc.'s fraudulent ponzi scheme occurred over a longer period of time than the 2009 Period, the sales of Blackett Investments raised $3,018,649 from at least 56 investors and Blackett used over $1 million of investor funds for personal purposes (Merits Decision, *supra* at paras. 37, 223, 261 and 263). Rezwealth Respondents raised $2,910,305 from at least 45 investors over a period of two years, of which $970,940 was received in the 2009 Period, and Ms. Ramoutar, Mr. Ramoutar and their family members received and cash withdrawals were made of approximately $200,000 from the Rezwealth Account during the 2009 Period (Merits Decision, *supra* at paras. 79, 195, 232 and 265).

[108] I distinguish between Blackett and the Rezwealth principals on the basis that Blackett created and operated a fraudulent ponzi scheme from its inception. Ms. Ramoutar and Mr. Ramoutar were initially in a position more akin to Smith's relationship with Blackett, but later engaged in fraudulent activities in the 2009 Period, including: (i) continued solicitation and/or acceptance of new investments after Blackett had stopped making payments to Rezwealth; (ii) using new investor funds to pay other investors; and (iii) receiving payments from the Rezwealth bank account, despite the fact that Rezwealth had no significant

sources of income, other than investor funds (Merits Decision, *supra* at para. 265). Mr. Ramoutar's participation is further distinguishable because, unlike Ms. Ramoutar, he was not found to have made decisions to accept or refuse investors or control the Rezwealth bank account (Merits Decision, *supra* at paras. 266-267). In my view, by virtue of his involvement, Mr. Ramoutar participated in acts and engaged in a course of conduct relating to securities, which he reasonably ought to have known perpetrated a fraud (Merits Decision, *supra* at paras. 269).

[109] In the case of Blackett, an administrative penalty of $500,000 is similar to those ordered in *Lyndz Sanctions* and *Al-Tar Sanctions*. In those matters, the Commission ordered administrative penalties of $500,000-$600,000 and $500,000-$750,000, respectively, in circumstances where the respondents played integral and leading roles and engaged in fraudulent activities (*Lyndz Sanctions supra* at paras. 26 and 110; *Al-Tar Sanctions*, *supra* at paras. 48, 50 and 53). For Ms. Ramoutar and Mr. Ramoutar, Staff argues that the proposed administrative penalties were proportionate and similar to those ordered against officers, directors or de facto directors or officers and in other matters involving findings of fraud, including *Maple Leaf*, in which the Commission ordered a $450,000 administrative penalty, and *Goldpoint*, in which the Commission ordered a $300,000 administrative penalty (*Maple Leaf Sanctions*, *supra* at paras. 10 and 55; and *Goldpoint*, *supra* at paras. 5 and 90). However, in the circumstances of this matter, Blackett was the origin of the fraudulent scheme and, as I noted above, Ms. Ramoutar and Mr. Ramoutar were initially in a position more akin to Smith's relationship with Blackett. Therefore, I find that more proportionate administrative penalties would be $250,000 in the case of Ms. Ramoutar and $150,000 in the case of Mr. Ramoutar, whose conduct spanned shorter period and for whom the majority of funds were raised by Tiffin.

[110] I am not persuaded Mr. Ramoutar's submission that Tiffin alone is responsible for the $2.9 million raised by Rezwealth from investors and that to order Mr. Ramoutar to pay much higher an administrative penalty would be unjust because he made less in commissions.

[111] I find that orders for administrative penalties against Smith and Tiffin in the amount of $25,000 each are also appropriate in the circumstances. Each committed multiple and repeated violations of the Act, albeit not fraud, which resulted in substantial losses to investors. While Tiffin's breaches affected fewer investors and occurred over a shorter period, as compared to Smith, Tiffin also realized much higher commissions than Smith or any of the respondents in *Simply Wealth Sanctions* (Merits Decision, *supra* at paras. 227 and 238; *Simply Wealth Sanctions*, *supra* at paras. 48 and 54).

[112] I do not accept Tiffin's submission that he is only responsible for half the funds for which he received commissions on the basis that he only "directly referred" 8 investors. Tiffin accepted commissions for all 19 investors and ought to be held responsible for such (Merits Decision, *supra* at para. 238). In fact, Tiffin is responsible for raising far more money from investors, approximately $2 million, than Smith, who is responsible for raising approximately $1.2 million (Merits Decision, *supra* at para. 227 and 238). However, the fact that Smith impacted many more investors, having referred approximately 48 to Blackett and 215 Inc. and having introduced Ms. Ramoutar and Rezwealth to Blackett and 215 Inc., places these respondents, on balance, in a similar position in my view (Merits Decision, *supra* at paras. 227 and 238).

[113] In *Simply Wealth Sanctions*, the Commission imposed administrative penalties of $15,000 against each of the individual respondents who promoted investments for a forex investment scheme, including unregistered trading (*Simply Wealth Sanctions*, *supra* at paras. 1 and 4). I accept that the circumstances of this matter are more similar to the facts in *Simply Wealth* Sanctions and that administrative penalties imposed upon Smith and Tiffin should be proportionate to their conduct and considerate of the level of administrative penalties imposed in other similar cases.

[114] I also accept Staff's distinction between Tiffin and Persaud, one of the respondents in the *Simply Wealth Sanctions* matter. Persaud was 19 years old, had no experience in the market, received only $90,000 in commissions, was genuinely remorseful and appeared with a $15,000 cheque in anticipation of paying the Commission's disgorgement order (*Simply Wealth Sanctions*, *supra* paras. 4, 20, 39 and 40). The misconduct of Smith occurred over a longer period and Tiffin received higher commissions, as compared to the respondents in *Simply Wealth Sanctions* (Merits Decision, *supra* at paras. 72 and 238; *Simply Wealth Sanctions*, *supra* paras. 1 and 4).

[115] The scope and seriousness of Blackett, Ms. Ramoutar and Mr. Ramoutar's misconduct warrants strong deterrence for each of them. Further, as stated above, in case of Smith and Tiffin, I agree that the need for deterrence was for them is not as great as for the principal proponents of the fraudulent schemes (*Simply Wealth Sanctions*, *supra* at para. 42). Nevertheless, having been previously registered market participants and engaging in non-compliance that affected many and raised a significant amount from investors, some deterrence is warranted.

[116] Under the circumstances, I find that it would be appropriate to order Blackett to pay $500,000, Ms. Ramoutar to pay $250,000, Mr. Ramoutar to pay $150,000, Smith to pay $25,000 and Tiffin to pay $25,000 as administrative penalties which, in my view, are commensurate with each respondent's failures to comply with Ontario securities law. As Staff did not seek the imposition of any administrative orders upon the corporate respondents, I make no findings in that regard.

VIII. COSTS

[117] The Commission has discretion to order a person or company to pay the costs of an investigation and hearing if the Commission is satisfied that the person or company has not complied with the Act or has not acted in the public interest (section 127.1 of the Act). I have considered the factors at Rule 18.2 of the Commission's *Rules of Procedure* and the factors cited in the *Ochnik* decision (*Ochnik*, *supra* at para. 29) in exercising my discretion to order costs.

[118] I find that the costs sought and apportioned by Staff to be generally reasonable and conservative. Staff does not claim time of counsel during the investigation and discounted the cost of its forensic accountant by 25 percent. Staff also did not include in its costs calculation the time of one senior litigation counsel, law clerks or any work related to the Sanctions and Costs Hearing. Further, Staff does not seek disbursements.

[119] In support of this request, Staff provided written submissions, Affidavit of Michelle Spain, sworn on July 26, 2013, which attaches a bill of costs, supported by a summary statement of hours and fees and dockets of time incurred in the investigation and litigation phases of the proceeding, as required by Rule 18.1(2)(b) of the *Rules of Procedure*. The bill of costs appends numbers of hours worked and details of the tasks performed by each of the Staff members listed. I am satisfied that the evidence supports an adequate record of costs as a whole.

[120] I also accept that greater costs in the amount of $110,000 should be attributable to Blackett and 215 Inc., in view of the fact that a great deal of time was spent at the Merits Hearing proving allegations against them and it is not disputed that they failed to cooperate with Staff's requests for documentation. I also agree that the focus of the Merits Hearing dealt primarily with conduct of the Rezwealth Respondents, but their cooperation with Staff in providing documentation and contribution at the Merits Hearing supports an order of lesser costs. Therefore, the Rezwealth Respondents should pay $90,000 of the costs incurred by the Commission.

[121] Staff also spent some time at the Merits Hearing proving allegations against Smith and 177 Inc., albeit far less than for the respondents found to have engaged in fraud. I accept that Smith and 177 Inc. should pay costs of $37,658.18. Further, the Tiffin Respondents contributed greatly to the efficiency of the hearing by cooperating with Staff in jointly tendering the Agreed Facts and, therefore, should only pay costs of $15,000 for investigative costs leading up to the beginning of the Merits Hearing.

[122] I reject the submissions Mr. Ramoutar that he should be severed from a costs order. He was deeply involved in the Rezwealth business.

[123] In sum, I conclude that Staff's estimate of costs is generally reasonable in the circumstances and that the allocation is appropriate. I will order Blackett and 215 Inc. to jointly and severally pay $110,000, the Rezwealth Respondents to jointly and severally pay $90,000, Smith and 177 Inc. to jointly and severally pay $37,658.18, and the Tiffin Respondents to jointly and severally pay $15,000 for the investigation and/or hearing costs incurred by the Commission, pursuant to section 127.1 of the Act.

IX. TIFFIN'S PAYMENT PLAN

[124] The Tiffin Respondents propose that payment of disgorgement, the administrative penalty and costs be imposed over time. The payment of costs and the administrative penalty would be paid over the course of 4 years and the disgorgement amount over the course of 10 years. Under this payment plan, I find that the Tiffin Respondents would pay $8,000 as a first installment of the administrative penalty of $25,000 and costs of $15,000 within 30 days of the Commission's order. On the first through fourth anniversary of any such order, $59,700 would be paid, representing the balance of the costs and administrative penalty and the first four payments of disgorgement order and on the fifth through tenth anniversaries of the order $51,700 would be paid representing the balance of the disgorgement order.

[125] I will further order that in the event that any payment is not made by Tiffin and Tiffin Financial on the due date, then the entire unpaid balance of the amounts ordered in respect of disgorgement, the administrative penalty and costs shall become immediately due and payable.

X. CONCLUSION

[126] I consider that it is important in this case to impose sanctions that reflect the seriousness of the securities law violations that occurred in this matter and that will deter the Respondents and like-minded individuals from engaging in future conduct that violates securities law. Accordingly, I conclude that following sanctions are proportionate to the circumstances and conduct of each of the Respondents and that it is in the public interest to make these orders:

1. With respect to Blackett, 215 Inc. and the Rezwealth Respondents that:

(a) pursuant to clause 2 of subsection 127(1) of the Act, trading in any securities by each of Blackett, 215 Inc., Rezwealth, Ms. Ramoutar and Mr. Ramoutar shall cease permanently;

(b) pursuant to clause 2.1 of subsection 127(1) of the Act, the acquisition of any securities by each of Blackett, 215 Inc., Rezwealth, Ms. Ramoutar and Mr. Ramoutar is prohibited permanently;

(c) pursuant to clause 3 of subsection 127(1) of the Act, that any exemptions contained in Ontario securities law do not apply to each of Blackett, 215 Inc., Rezwealth, Ms. Ramoutar and Mr. Ramoutar permanently;

(d) pursuant to clause 7 of subsection 127(1) of the Act, each of Blackett, Ms. Ramoutar and Mr. Ramoutar shall resign any position that he or she holds as a director or an officer of an issuer;

(e) pursuant to clauses 8, 8.2 and 8.4 of subsection 127(1) of the Act, each of Blackett, Ms. Ramoutar and Mr. Ramoutar is prohibited permanently from becoming or acting as a director or an officer of any issuer, registrant or investment fund manager;

(f) pursuant to clause 8.5 of subsection 127(1) of the Act, each of Blackett, Ms. Ramoutar and Mr. Ramoutar is prohibited permanently from becoming or acting as a registrant, as an investment fund manager or as a promoter;

(g) pursuant to clause 9 of subsection 127(1) of the Act, Blackett shall pay an administrative penalty of $500,000, Ms. Ramoutar shall pay an administrative penalty of $250,000 and Mr. Ramoutar shall pay an administrative penalty of $150,000, designated for allocation or use by the Commission in accordance with subsection 3.4(2)(b) of the Act;

(h) pursuant to clause 10 of subsection 127(1) of the Act, Blackett and 215 Inc. shall jointly and severally disgorge $1,474,377, the Rezwealth Respondents shall jointly and severally disgorge $547,889, Rezwealth and Ms. Ramoutar shall jointly and severally disgorge $547,889 and Mr. Ramoutar shall disgorge $51,158 to the Commission, designated for allocation or use by the Commission in accordance with subsection 3.4(2)(b) of the Act; and

(i) pursuant to section 127.1 of the Act, Blackett and 215 Inc. shall jointly and severally pay $110,000 and Rezwealth, Ms. Ramoutar and Mr. Ramoutar shall jointly and severally pay $90,000 of the costs of the investigation and hearing.

2. With respect to Smith, 177 Inc. and the Tiffin Respondents that:

(a) pursuant to clause 2 of subsection 127(1), trading in any securities by each of Smith,177 Inc., Tiffin and Tiffin Financial shall cease for a period of 5 years;

(b) pursuant to clause 2.1 of subsection 127(1) of the Act, the acquisition of any securities by each of Smith,177 Inc., Tiffin and Tiffin Financial is prohibited for a period of 5 years;

(c) pursuant to clause 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to each of Smith,177 Inc., Tiffin and Tiffin Financial for a period of 5 years;

(d) pursuant to clause 7 of subsection 127(1) of the Act, each of Smith and Tiffin shall resign any positions that he holds as a director or an officer of an issuer, save and except for Tiffin in respect of Tiffin Financial, provided and so long as Tiffin Financial is not a reporting issuer and does not engage in any business that is subject to regulation under the Act;

(e) pursuant to clauses 8, 8.2 and 8.4 of subsection 127(1) of the Act, each of Smith and Tiffin is prohibited for a period of 5 years from becoming or acting as a director or an officer of any issuer, registrant or investment fund manager, save and except for Tiffin in respect of Tiffin Financial, provided and so long as Tiffin Financial is not a reporting issuer and does not engage in any business that is subject to regulation under the Act;

(f) pursuant to clause 8.5 of subsection 127(1) of the Act, each of Smith and Tiffin is prohibited for a period of 5 years from becoming or acting as a registrant, as an investment fund manager or as a promoter;

(g) pursuant to clause 9 of subsection 127(1) of the Act, Smith and Tiffin shall each pay an administrative penalty of $25,000, designated for allocation or use by the Commission in accordance with subsection 3.4(2)(b) of the Act;

(h) pursuant to clause 10 of subsection 127(1) of the Act, Smith shall disgorge $120,000, 177 Inc. shall disgorge $41,150 and Tiffin and Tiffin Financial shall jointly and severally disgorge $517,000 to the Commission, designated for allocation or use by the Commission in accordance with subsection 3.4(2)(b) of the Act;

(i) pursuant to section 127.1 of the Act, Smith and 177 Inc. shall pay $37,658.18 of the costs of the investigation and hearing, for which they are jointly and severally liable;

(j) pursuant to subsection 127.1(1) of the Act, Tiffin and Tiffin Financial shall pay $15,000 of the costs of the investigation, for which they shall be jointly and severally liable;

(k) in regard to the payments ordered above in subparagraphs [126](2)(g), (h) and (j) above, Tiffin and/or Tiffin Financial shall make payments as follows:

(i) $8,000 payable within 30 days of this order;

(ii) a further $59,700 payable on or before July 8, 2015;

(iii) a further $59,700 payable on or before July 8, 2016;

(iv) a further $59,700 payable on or before July 8, 2017;

(v) a further $59,700 payable on or before July 8, 2018;

and thereafter, in regard to payments ordered above in subparagraph [126](2)(h) Tiffin and/or Tiffin Financial shall make payments as follows:

(vi) a further $51,700 payable on or before July 8, 2019;

(vii) a further $51,700 payable on or before July 8, 2020;

(viii) a further $51,700 payable on or before July 8, 2021;

(ix) a further $51,700 payable on or before July 8, 2022;

(x) a further $51,700 payable on or before July 8, 2023;

(xi) the balance of $51,700 payable on or before July 8, 2024;

(the "**Payment Plan**"); and

(l) Notwithstanding the Payment Plan set out in subparagraph [126](2)(k) above, in the event that Tiffin and/or Tiffin Financial fail to comply with any of the terms of the Payment Plan, the unpaid balance of all of the amounts set out in subparagraphs [126](2)(g), (h) and (j) above shall become payable and enforceable immediately, along with postjudgment interest from the date of this Order in accordance with section 129 of the Courts of Justice Act R.S.O. 1990 c. C-43, as amended.

[127] I will issue a separate order giving effect to my decision on sanctions and costs.

Dated this 8th day of July, 2014.

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
CBM Asia Development Corp.	9 July 14	21 July 14		
Pacific Vector Holdings Inc.	10 July 14	22 July 14		
Sonomax Technologies Inc.	10 July 14	22 July 14		
Tantalex Resources Corporation	11 July 14	23 July 14		

4.2.1 Temporary, Permanent & Rescinding Management 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

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
Pacific Vector Holdings Inc.	8 May 14	20 May 14	20 May 14	10 July 14	
Red Tiger Mining Inc.	2 May 14	14 May 14	14 May 14		
Sonomax Technologies Inc.	9 May 14	21 May 14	21 May 14	10 July 14	

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5.1.1 Repeal and Replacement of NI 52-108 Auditor Oversight, and Amendments to NI 41-101 General Prospectus Requirements, NI 51-102 Continuous Disclosure Obligations, and NI 71-102 Continuous Disclosure and Other Exemptions Relating to Foreign Issuers

CSA/ACVM Canadian Securities Administrators Autorités canadiennes en valeurs mobilières

CSA Notice of Repeal and Replacement of National Instrument 52-108 *Auditor Oversight*

AND

Amendments to National Instrument 41-101 *General Prospectus Requirements*, National Instrument 51-102 *Continuous Disclosure Obligations* and National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*

July 17, 2014

Introduction

We, the Canadian Securities Administrators (CSA) are adopting National Instrument 52-108 *Auditor Oversight* (the Instrument), Companion Policy 52-108CP *Auditor Oversight* (the Policy), and making amendments to

- National Instrument 41-101 *General Prospectus Requirements* (NI 41-101),
- National Instrument 51-102 *Continuous Disclosure Obligations* (NI 51-102),
- Companion Policy 51-102CP *Continuous Disclosure Obligations* (51-102CP),
- National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* (NI 71-102), and
- Companion Policy 71-102CP *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* (71-102CP)

(together, the Amendments).

These documents are in Annexes C through J of this Notice and we refer to them collectively as the Final Materials. The Final Materials have been adopted or are expected to be adopted by each member of the CSA. Provided all necessary ministerial approvals are obtained, the Final Materials come into force on September 30, 2014.

The CSA published proposed versions of the Instrument, the Policy and the Amendments for comment on October 17, 2013 (the Proposed Materials). The Instrument will replace National Instrument 52-108 *Auditor Oversight,* which is currently in effect (the Current Instrument).

Substance and purpose

The main purpose of the Instrument is to contribute to public confidence in the integrity of financial reporting of reporting issuers by promoting high quality, independent auditing. The Instrument requires a public accounting firm to deliver a notice to a regulator or audit committee when certain remedial actions have been imposed by the Canadian Public Accountability Board (CPAB). The Instrument also requires a public accounting firm to deliver a notice to its reporting issuer clients if it is not in compliance with certain requirements in the Instrument.

The amendment to NI 41-101 provides for greater transparency by requiring additional disclosure in a prospectus when financial statements of the issuer included in the prospectus were audited by an auditor that, at the date of the most recent auditor's report on financial statements included in the prospectus, was not required to be subject to, and was not subject to the oversight program of CPAB.

The amendments to NI 51-102 provide more timely information by reducing the filing period requirements for a change of auditor notice, and requiring a predecessor auditor or a successor auditor to notify the regulator if a reporting issuer does not file a change of auditor notice required by NI 51-102.

The amendments to NI 71-102 align a foreign issuer's obligations with their auditor's obligations relating to auditor oversight by requiring a foreign issuer to comply with the Instrument.

Background

The Current Instrument was developed in connection with the creation of CPAB, which began its operations in October 2003. It requires a reporting issuer to have the auditor's report signed by a public accounting firm that has entered into a participation agreement with CPAB and to be in compliance with any restrictions or sanctions imposed by CPAB. In addition, it requires a public accounting firm to deliver a notice to the securities regulator, and in some cases, the audit committee and board of directors of each reporting issuer client, of certain restrictions or sanctions imposed by CPAB.

The Instrument being published in connection with this Notice continues to require a reporting issuer to have the auditor's report signed by a public accounting firm that has entered into a participation agreement with CPAB. However, the notice requirements have been amended to focus on the types of remedial actions CPAB imposes, regardless of the labels CPAB attaches to them (e.g., "sanction" or "restriction"). We expect this will result in a greater number of notices than is currently the case.

We are not, at this time, making any substantive changes to the existing requirements for when a public accounting firm must deliver a notice to the audit committees of its reporting issuer clients about CPAB's inspections.

Subsequent to publishing the Proposed Materials, CPAB finalised a voluntary protocol that will allow audit firms participating in the protocol to communicate more information about CPAB inspection findings. The voluntary protocol came into effect on March 1, 2014. In the event that CPAB has inspected the audit file of a reporting issuer, an audit firm participating in the protocol will provide the audit committee of the reporting issuer with the following information:

(i) a description of the focus areas selected for inspection by CPAB.

(ii) an indication of whether or not there are any significant inspection findings.

(iii) any significant inspection findings as reported by CPAB per CPAB's Engagement Findings Report, including a description of actions taken by the firm in response to the findings and CPAB's disposition.

In light of the finalisation of CPAB's voluntary protocol, we will defer consideration of whether substantive changes are needed to the Instrument requirements for notice to audit committees until an assessment can be made on the costs and benefits associated with the protocol. We will periodically consult with CPAB on the implementation of the protocol, as well as gather feedback from various stakeholders, in order to assess whether there is a need for associated changes to the Instrument.

Summary of written comments received by the CSA

The CSA received submissions from nine commenters who submitted comment letters on the Proposed Materials. The names of the commenters are listed in Annex A. The summary of the comments on the Proposed Materials, together with our responses, are in Annex B. We thank everyone who provided comments.

Summary of changes to the Proposed Materials

After considering the comments received, we have made some revisions to the Instrument and Policy that were published for comment. Those revisions are reflected in the Instrument and Policy we are publishing concurrently with this notice. As these

changes are not material, we are not republishing the Instrument and Policy for a further comment period. No revisions have been made to the Amendments that were published for comment.

The key changes from the Proposed Materials are as follows:

- The requirement for a notice of remedial action to describe how a participating audit firm has failed to comply with professional standards no longer refers to the description CPAB provided the participating audit firm. The Policy explains that the description in the notice to the regulator should be substantially similar to the description CPAB provided the participating audit firm, and that a participating audit firm may modify the wording of CPAB's description to remove reference to information protected by professional secrecy in Quebec.

- In connection with the amendment described above, the Instrument specifies that a notice must include the name of each reporting issuer whose audit file was referred to by CPAB in its communications with the participating audit firm, as the basis, in whole or in part, for CPAB's conclusion that the participating audit firm failed to comply with professional standards.

Local matters

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

Contents of Annexes

Annex A:	List of commenters
Annex B:	Summary of comments and responses
Annex C:	The Instrument
Annex D:	The Policy
Annex E:	Blackline of the Instrument against the proposed instrument published for comment
Annex F:	Amendments to NI 41-101
Annex G:	Amendments to NI 51-102
Annex H:	Changes to 51-102CP
Annex I:	Amendments to NI 71-102
Annex J:	Changes to 71-102CP
Annex K:	Local matters

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ANNEX A

LIST OF COMMENTERS

Company	Name of commenter/commenters
Deloitte LLP	Frank Vettesse
Emerson Advisory	H. Garfield Emerson
Ernst & Young LLP	Tom Kornya, Eric Spiekman and Donald Hanna
Grant Thornton LLP and Raymond Chabot Grant Thornton LLP	Jeremy Jagt and Gilles Henley
KPMG LLP	John Gordon
Ordre des CPA du Quebec	Daniel McMahon
Osler, Hoskin & Harcourt LLP	Andrew MacDougall
PricewaterhouseCoopers LLP	Kerry Gerber and Stacy Hammett
N/A	Tom Smith

ANNEX B

SUMMARY OF COMMENTS AND RESPONSES

PROPOSED REPEAL AND REPLACEMENT OF
NATIONAL INSTRUMENT 52-108 *AUDITOR OVERSIGHT*

AND

PROPOSED AMENDMENTS TO
NATIONAL INSTRUMENT 41-101 *GENERAL PROSPECTUS REQUIREMENTS,*
NATIONAL INSTRUMENT 51-102 *CONTINUOUS DISCLOSURE OBLIGATIONS* AND
NATIONAL INSTRUMENT 71-102 *CONTINUOUS DISCLOSURE AND*
OTHER EXEMPTIONS RELATING TO FOREIGN ISSUERS

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Legend:

CPAB: Canadian Public Accountability Board

CPAB Act: Ontario CPAB Act, 2006

CSA: Canadian Securities Administrators

PCAOB: Public Company Accounting Oversight Board

Protocol: Protocol between CPAB and the audit firms it oversees for increasing the extent of information made available to audit committees

SEC: Securities and Exchange Commission

#	*Theme*	*Comments*	*Responses*
	COMMENTS PERTAINING TO NI 52-108 *AUDITOR OVERSIGHT*		
	A. <u>General Comments</u>		
1.	General support for principles underlying the proposals for NI 52-108	Five commenters express their support for the principles in the proposed materials.	We thank the commenters for their support.
2.	Scope of Instrument	One commenter questions whether the Instrument, or another future National Instrument, should contain provisions that are more specific than the general terms of the CPAB Act regarding the supervision, oversight, accountability and transparency of the conduct of CPAB in fulfilling its important mandate and role as "Canada's audit regulator" which include responsibilities to regulate public accounting firms in the public interest.	This comment is beyond the scope of this project, but may be considered at a future date.
3.	Use of "remedial actions" as a trigger for when notice is provided	Two commenters express their support for the change to the triggers for notice in the proposed materials to specified remedial actions of CPAB, rather than categories of remedial actions. One commenter notes that the companion policy describes a remedial action as a recommendation, a requirement, a restriction or a sanction, or a different term. The commenter believes that the terms in the Instrument should be consistent with the language contained in Section 600 of the CPAB Rules regarding requirements, restrictions and sanctions.	We thank the commenters for their support. We have deliberately avoided using the terms "recommendation", "requirement", "restriction" and "sanction" in the Instrument since those terms are not defined and subject to change. The companion policy clarifies that CPAB may refer to a remedial action in subsection 5(1) of the Instrument as one of these terms or CPAB may use a different term.
4.	Additional situations that should trigger a notice	<u>Triggers for a notice to the regulator</u> Two commenters recommend that a notice to the regulator be triggered when CPAB issues an Engagement Finding Report Type 1 (EFR 1) to an audit firm, and that the audit firm's response to the EFR 1 should be disclosed to the regulator. An EFR 1 is described as an audit deficiency that is a file-specific significant GAAS or GAAP deficiency that requires the audit firm to respond in writing and which has the potential to result in a material misstatement in the financial statements. One commenter recommends that notice should be triggered for all remedial actions relating either to failure to	We considered whether notice should be provided to the regulator when an EFR 1 is issued or CPAB imposes remedial actions other than those specified in the Instrument. Based on discussions with CPAB about their processes and basis for imposing certain remedial actions, we have determined that the triggers set out in Section 5 of the Instrument will provide us with the appropriate level of information.

#	Theme	Comments	Responses
		comply with professional standards or to a defect in quality control provisions that the CPAB imposes on an audit firm. One commenter recommends that notice should be triggered when an audit firm fails to comply with a remedial action within the time period specified by CPAB. <u>Triggers for a notice to the audit committee</u> One commenter recommends that the Instrument require an audit firm to disclose receipt of an EFR 1 to the audit committee.	As noted in our October 2013 Notice, we are not, at this time, proposing any substantive changes to the existing requirements for when a public accounting firm must deliver a notice to the audit committees of its reporting issuer clients about remedial actions imposed by CPAB. We are deferring consideration of any changes to the notice to audit committee requirements until the costs and benefits associated with the Protocol have been assessed.
5.	Confidentiality considerations for notices delivered to the regulator	One commenter has concerns regarding privacy and the Freedom of Information (FOI) Acts, which are understood to be different across each province. The commenter believes the CSA should take steps to ensure that information that will be provided pursuant to NI 52-108 will be kept private. One commenter advises that it is desirable that the CSA ensure that no conflicts arise between current requirements of firms under CPAB participating agreements (e.g., with respect to confidentiality).	The FOI legislation in effect in most jurisdictions has not changed since the inception of the original Instrument. The CSA cannot ensure that information provided pursuant to the Instrument will be kept private, however if an FOI request were made then it would be considered based on its own individual merits. We have been in discussion with CPAB throughout the process of developing the Instrument, and are not aware of any conflicts between the requirements and the CPAB participation agreements.
6.	Consideration of Protocol	One commenter recommends that it is desirable that the CSA ensure that no conflicts are created relating to CPAB's Enhancing Audit Quality initiative, and in particular the proposed Protocol that is currently out for comment.	As noted in our October 2013 Notice, we are not, at this time, proposing any substantive changes to the existing requirements for when a public accounting firm must deliver a notice to the audit committees of its reporting issuer clients about remedial actions imposed by CPAB. We are deferring consideration of any changes to the notice to audit committee requirements until the costs and benefits associated with the Protocol have been assessed.
	B. <u>Section 1 Definitions</u>		
1.	Definition of participating audit firm	One commenter notes that the proposed companion policy states that the securities regulatory authorities consider any remedial action imposed by CPAB on an individual acting in a professional capacity with a participating audit firm to be a remedial action imposed on the firm. The commenter believes that this is a substantive provision and if the provisions are to be interpreted in this manner this provision should be included within the definitions of the proposed Instrument.	CPAB has the ability to impose a remedial action on a participating audit firm that specifically pertains to an individual acting in a professional capacity, but does not have the ability to impose a remedial action on the individual. The companion policy has been clarified to explain this point and notes that a remedial action on a participating audit firm pertaining to a

#	*Theme*	*Comments*	*Responses*
			specific individual would be included in the content of a notice to the regulator in accordance with paragraph 5(2)(c).
2.	Definition of remedial action	One commenter thinks it would be preferable to have a definition of remedial action in the Instrument rather than express a "view" in a policy.	The term "remedial action" is to be interpreted based on its plain English meaning, which is why a definition is not included. We disagree that the companion policy expresses a "view" on what a remedial action is. The discussion in the companion policy on this subject is included to clarify that a remedial action in subsection 5(1) is determined without regard to how CPAB refers to it.
3.	Definition of quality control systems	One commenter believes the Instrument would be improved if the term 'quality control system' is defined so that there is understanding by all parties as to the nature of the defects expected to be disclosed under Section 6(1).	To provide further clarity the Instrument has been amended to refer to the term "system of quality control" since this is the term used in the CPA Canada Handbook – Assurance. The term has not been defined. It is commonly understood that an audit firm must maintain a system of quality control that complies with the standards in the CPA Canada Handbook – Assurance.
	C. Section 3 Notice to Reporting Issuer if Public Accounting Firm Not in Compliance		
1.	Implementation of notification	One commenter questions whether the introduction of these notifications will have benefits in excess of the potential confusion in the marketplace. The commenter is concerned that, in the absence of education and clear communication with the marketplace as to what these remedial actions mean, the notices may bring about unintended outcomes. Prior to imposing notifications by audit firms to their reporting issuer clients, the commenter suggests that the regulator further communicate with the entire marketplace as to how these new "triggers" are meant to work and what implications it is intended to have on the marketplace. One commenter is concerned that the obligation to notify all reporting issuer clients if a public accounting firm is not in compliance with any remedial action under subsection 5(1) may be too broad. The CPAB remedial action may relate only to one reporting issuer or a particular category of reporting issuers, and disclosure of non-compliance to other reporting issuer clients may not provide meaningful information to such other reporting issuer clients in all circumstances, especially if the non-compliance is a technical or temporary matter.	This notice requirement has been introduced so that a reporting issuer is aware of any instance where their auditor would be unable to sign an auditor's report because it is not in compliance with the Instrument. Without this notice, a reporting issuer would not be aware that there could be issues with obtaining an auditor's report if needed. This notification will allow a reporting issuer to initiate a dialogue with their auditor in order to ensure that they will continue to meet their filing obligations in a timely manner. We think it is important that all reporting issuer clients be notified when their audit firm is not able to sign an audit report for their client because of the inability to comply with the Instrument. We further note that the remedial actions identified in the Instrument would frequently pertain to a systemic issue at a public accounting firm, and not necessarily relate to one reporting issuer.
2.	Requirement for audit firm to provide notice within 2 days	One commenter believes the reporting deadline of 2 days is too short to effectively allow audit firms to comply. The commenter recommends that the deadline be extended to 10 days, which is consistent with the timelines required in subsection 6(3) of the proposed Instrument and the timelines for material change reports.	We think that non-compliance with the Instrument should be reported to reporting issuers in a timely manner. However, to provide further clarity subsections 3(1) and 5(3) of the Instrument have been amended to refer

#	*Theme*	*Comments*	*Responses*
			to “business days”.
		One commenter is concerned that a 2-day lag potentially could result in the delivery of a notice after the signing of the audit report by the public accounting firm and the filing of the financial statements on SEDAR	We do not anticipate this will be an issue since the public accounting firm would not be in compliance with Section 2 of the Instrument in the situation described, and therefore should not sign the audit report.
3.	Requirement to notify reporting issuer if it fails to provide notice to the regulator	One commenter notes that if an audit firm were to fail to be in compliance with the notice to the regulator requirement in subsection 5(3) (e.g., the audit firm does not deliver a notice to the regulator within the 2 day timeline), then subsection 3(2) states that the audit firm would not be able to notify a reporting issuer that it is in compliance until it has been informed by CPAB that the circumstances that gave rise to the notice no longer apply. The commenter is of the view that CPAB would not be in a position to inform the audit firm that this violation to notify the regulators no longer applies since it is not a remedial action imposed by CPAB. The commenter believes that there is a step missing to address this scenario. One commenter sees little value in having a reporting issuer receive a notice that the public accounting firm is not in compliance with its obligation to notify securities regulators. The commenter recommends removing the reference to paragraph 2(c) in subsection 3(1) of the Instrument.	Paragraph 2(c) of the Instrument has been amended to only refer to the notice requirements in subsections 5(1) and 5(2), which results in a change to the requirements in subsections 3(1) and 3(2). As a result of this change, a notice will not be triggered if the only non-compliance is a failure to deliver a notice to the regulator within the time required or if a copy of the notice to the regulator was not delivered to CPAB on the same day it was delivered to the regulator. Despite the changes described above, a public accounting firm will not be in compliance with paragraph 2(c), or be able to notify a reporting issuer that it is in compliance (as contemplated in subsection 3(2)), until it has delivered a notice to the regulator in the form required. The notice requirements in section 3 are necessary to allow a reporting issuer to comply with the requirement in section 4.
4.	Other comments	One commenter recommended that CPAB report required information directly to the regulator at the same time it notifies a respective auditor to report, rather than having information reported by the audit firm in question. One commenter questions why the Instrument requires public accounting firms to deliver a copy of a notice of non-compliance to CPAB instead of leaving it up to CPAB to specify notice requirements pursuant to its rules.	The Instrument imposes requirements on public accounting firms and reporting issuers, not CPAB. As a result, consistent with the previous Instrument, public accounting firms are required to deliver the notice to the regulator. We require a copy of the notice to be delivered to CPAB to help ensure that the information we receive is consistent with CPAB’s understanding.
	D. <u>Section 5 Notice of Remedial Action to the Regulator or the Securities Regulatory Authority</u>		
1.	Potential disclosure of confidential information to the regulator	One commenter is concerned that the proposed content of a notice could lead to a violation of section 9 of the *Quebec Charter of Human Rights and Freedoms* and of the obligation imposed on chartered professional accountants to protect their clients’ confidential information and documents covered by professional secrecy. The commenter believes that in order to minimize and preferably avoid any violation of professional secrecy a notice must not contain any information or document covered by professional secrecy or with respect to which there is reasonable cause to believe that it is covered by professional secrecy. One commenter has concerns regarding privacy in light of	The notice content requirements in subsection 5(2) of the Instrument have been amended to permit a participating audit firm to describe how it failed to comply with professional standards. This will allow a participating audit firm to modify the description provided by CPAB to remove reference to information protected by professional secrecy in Quebec. Despite the change to subsection 5(2)(a), we expect the description in the notice to be substantially similar to the description

#	Theme	Comments	Responses
		the Protection of Privacy Acts, which are understood to be different across each province. The commenter notes that, as currently drafted, it is possible that information with respect to individuals could be captured under Section 5 of the Notice.	CPAB has provided the participating audit firm. Additional discussion has been included in the companion policy for this content requirement. In connection with the amendment described above, we amended the Instrument to specify that that the notice to the regulator must include the name of each reporting issuer whose audit file was referred to by CPAB in its communications with the participating audit firm, as the basis, in whole or in part, for CPAB's conclusion that the participating audit firm failed to comply with professional standards.
		One commenter recommends that guidance be provided on how audit firms should address the obligation in subsection 5(2)(a), to submit an explanation of how they failed to comply with professional standards, without compromising their obligations of confidentiality with respect to the reporting issuer's confidential information or loss of any claims of privilege the reporting issuer may have over information in the audit firm's possession.	As noted above, we expect the description in the notice to be substantially similar to the description CPAB provided. There may be situations in which the description may need to be modified to remove reference to information protected by professional secrecy in Quebec.
		One commenter is of the view that the inspection report issued by CPAB to the audit firm is intended to be a private communication between CPAB and the firm. To address these concerns the commenter believes the CSA should work with CPAB to have CPAB modify its rules under the participation agreement to permit disclosure of portions of their report in the event that information would qualify for disclosure under the Notice.	We have been in discussion with CPAB throughout the process of developing the Instrument, and are not aware of any conflict in the CPAB participation agreements that prevent disclosure of portions of their report.
		One commenter notes that CPAB's Rules and certain legislation provide that CPAB may, in appropriate circumstances, communicate information arising from its inspection and investigation activity to CSA or the Superintendent of Financial Institutions Canada, but in doing so CPAB generally must exclude privileged information of a client of a participating audit firm, and specific information relating to the business, affairs or financial condition of a client of a participating audit firm (CPAB Rules 417, 516, CPAB Act (Ontario) s. 13). In order for subsection 5(2) to be consistent with these provisions, the commenter believes it should be modified so that a participating audit firm may in appropriate circumstances summarize written descriptions it receives from CPAB, in order to remove any such privileged or specific business information of an audit client	Subsection 5(2) is not intended to be consistent with the provisions in the CPAB Rules and CPAB Act. The CPAB Rules and CPAB Act govern the communication relationship between CPAB and a participating audit firm, not the communications in respect of a participating audit firm and a securities regulator. Further, there is nothing in the Instrument that requires the disclosure of solicitor client privileged information. However, as noted above, we expect the description in the notice to be substantially similar to the description provided by CPAB. We acknowledge that there may be situations in which the description may need to be modified to remove reference to information protected by professional secrecy in Quebec.
2.	Ability of CPAB to trigger notice to the regulator	One commenter questions why CPAB has the discretion under paragraph 5(1)(b) to determine when a remedial action that is not listed in paragraph 5(1)(a) should trigger notice. The commenter recommends that the Instrument include supervisory and governance principles setting out	The remedial actions included in paragraph 5(1)(a) were based on the types of actions available to CPAB listed in Section 601 of the CPAB Rules. The list in Section 601 is not all inclusive, and

#	*Theme*	*Comments*	*Responses*
		how CPAB should exercise its discretion under paragraph 5(1)(b).	contemplates that CPAB may impose other remedial actions that are not listed. In using their discretion we expect CPAB would trigger notice for a remedial action that is not listed in Section 601 of CPAB's Rules, but is considered to be of the same severity as those listed in paragraph 5(1)(a).
3.	Other comments	One commenter believes paragraph 5(1)(c) is unnecessary as it would require firms to disclose information to a regulator that is already public.	We disagree with the commenter. If a paragraph 5(1)(c) notice is triggered, then paragraph 5(2)(c) requires the notice to the regulator to include each remedial action that CPAB has imposed on the participating audit firm. This information required by paragraph 5(2)(c) may not be publicly available.
		One commenter is of the view that subsection 5(2)(a) implies that a remedial action in that section is related to failure to comply with "professional standards", which are defined in Section 300 of CPAB's Rules. "Professional standards" in CPAB's rules include auditing standards, ethical standards, auditor independence, and quality control standards and procedures. The commenter asks whether it is clear or intended that a remedial action in subsection 5(1) only refers to a failure to comply with professional standards.	If CPAB imposes a remedial action that requires notice in accordance with Section 5, then a participating audit firm will have failed to comply with one or more professional standards.
		One commenter asks whether a "requirement", "condition", "request" or a "recommendation" that is put forward by the CPAB to an audit firm to deal with any of the "professional standards" referred to in Section 300 of the Rules is a "remedial action", including recommendations to upgrade supervision, training or education.	We have deliberately avoided using terms such as "recommendation" or "requirement" in the Instrument since those terms are not defined and subject to change. The companion policy clarifies that CPAB may refer to a remedial action in subsection 5(1) of the Instrument as one of these terms or CPAB may use a different term.
	E. Section 6 Additional Notice Relating to Defects in Quality Control Systems		
1.	Reporting of a defect in quality control systems	One commenter questions why CPAB is not obligated to require the audit firm to notify the regulator (as well as the reporting issuer) at the time that the CPAB identifies a defect in the audit firm's "quality control systems", as referred to in s. 6(1), and imposes a "remedial action" on the audit firm to "address" the defect.	In response to defects in an audit firm's system of quality control, CPAB may impose one of the remedial actions specified in subsection 5(1), which would trigger a notice to the regulator under section 5. Section 6 is substantially similar to the requirement under the existing Instrument As noted in our October 2013 Notice, we are not, at this time, proposing any substantive changes to the existing requirements for when a public accounting firm must deliver a notice to the audit committees of its reporting issuer clients about CPAB's inspections. We are deferring consideration of any changes to the notice to audit committee requirements until we have had a chance to assess the application of the Protocol.

#	*Theme*	*Comments*	*Responses*
2.	Requirement to report any remedial action relating to a defect in quality control systems that is not addressed within the time period required by CPAB	Scope of trigger One commenter is concerned with the proposed requirement in subsection 6(1), to report any remedial action imposed by CPAB relating to a defect in the audit firm's quality control systems since there are no boundaries or definitions linked to "any remedial action" that trigger a notification under paragraph 6. The commenter suggests that: (i) specific definitions or guidelines to "any remedial action" be included to clarify what type of remedial actions trigger the need for any notification, or (ii) that language similar to paragraph 5(1)(b) be utilized, whereby only those remedial actions relating to a defect in the participating audit firm's quality control systems for which CPAB notifies the participating audit firm in writing that it must disclose to the regulator would be captured under paragraph 6(1). One commenter is concerned that the scope of reportable matters in subsection 6(1) may be broader than intended since, based on the commenter's experience, certain of CPAB's repeat findings are often viewed by the regulator as a process of continuous improvement. Meaning of "has not addressed" One commenter requests clarification on what it means in subsection 6(1) when the audit firm "has not addressed" the defect in its quality control systems with the time period set by the CPAB. The commenter considers "addressing" to be ambiguous, and is of the view that a recommendation can be "addressed" even though the failure or defect in question is not cured for some period of time.	Subsection 6(1) has been amended to require that notice be triggered if CPAB required a participating audit firm to comply with any remedial action relating to a defect in its system of quality control, and CPAB notifies the participating audit firm in writing that it has failed to address the defect in its system of quality control to the satisfaction of CPAB within the time period required by CPAB. This amendment is consistent with the language in the Current Instrument and we are not aware of any scope problems under the Current Instrument. As noted above, the requirement has been amended to refer to a situation in which a participating audit firm "failed to address the defect…to the satisfaction of CPAB". We are of the view that this additional language provides sufficient clarity.
3.	Requirement to provide notice within 10 days	One commenter believes the reporting timelines under subsection 6(3) would be onerous for firms with hundreds of reporting issuer audit clients. The commenter recommends that relief to the 10 day timeframe should be made available or be extended to be 10 business days.	Subsection 6(3) of the Instrument has been amended to require notice to be delivered within 10 "business days".
4.	Other comments	One commenter recommends that that the words "in writing" be added to proposed subsection 6(1) to promote certainty and make the wording consistent with proposed paragraphs 5(1)(a) and (b). One commenter queries whether the types of matters intended to be reported under Section 6 are covered by the reportable matters in Section 5.	Subsection 6(1) of the Instrument has been amended to include the words "in writing". The matters to be reported in Section 6 could overlap with a remedial action covered in Section 5. If that circumstance were to arise, two notices to the regulator would be delivered; a notice that includes the content required in paragraphs 5(2) and a notice that includes the content required in paragraph 6(2).
	COMMENTS PERTAINING TO NATIONAL INSTRUMENT 41-101 *GENERAL PROSPECTUS REQUIREMENTS*		
1.	General comments	One commenter believes that if prospectus disclosure is required, it is then important for an investor to be informed	We do not believe that additional disclosure on how an issuer intends to

#	*Theme*	*Comments*	*Responses*
		of how the issuer proposes to address the requirement to retain a CPAB qualified auditor once the issuer becomes a reporting issuer. Specifically, the commenter believes that the prospectus should disclose whether the incumbent auditor is expected to become a CPAB qualified auditor, or if a successor has been identified and if so, who that successor will be.	comply with NI 52-108 upon becoming a reporting issuer is information that an investor needs in order to make an informed investment concerning an initial prospectus offering.
	COMMENTS PERTAINING TO NI 51-102 *CONTINUOUS DISCLOSURE OBLIGATIONS*		
1.	General comments	One commenter believes the filing requirements under 4.11(5) present practical challenges for the predecessor auditor. For example, if an auditor resigns without a successor auditor being appointed, does the deadline for notification occur three days following the auditor's termination or three days following appointment of the new auditor? The predecessor auditor in this circumstance is relying on the issuer to notify them of the appointment, which seems contrary to the intention of this subsection. The commenter also believes the requirement for both a predecessor and successor to report non-compliance is duplicative and introduces a monitoring requirement for which the predecessor auditor may not have equal access to information. Additionally, the SEC places the onus only on the successor auditor and we believe that is where the reporting obligation should reside.	Paragraph 4.11(5) includes the reporting requirements when an auditor termination or resignation occurs. The timeline for these reporting requirements is not affected by whether a successor auditor is appointed. We do not agree that the predecessor faces a practical challenge relating to the successor auditor. We agree that the obligation to report non-compliance could be duplicative in some circumstances, however we think the obligation is needed to capture situations where a predecessor auditor resigns or is terminated without a successor auditor being appointed on the same day or shortly thereafter.
	COMMENTS PERTAINING TO NI 71-102 *CONTINUOUS DISCLOSURE AND OTHER EXEMPTIONS RELATING TO FOREIGN ISSUERS*		
1.	General comments	One commenter expresses their support for the amendment to require foreign issuers to comply with the Instrument.	We thank the commenter for its support.

ANNEX C

THE INSTRUMENT

NATIONAL INSTRUMENT 52-108
AUDITOR OVERSIGHT

PART 1
DEFINITIONS AND APPLICATION

Definitions

1. In this Instrument

"CPAB" means the Canadian Public Accountability Board/Conseil canadien sur la reddition de comptes, incorporated as a corporation without share capital under the *Canada Corporations Act* by Letters Patent dated April 15, 2003;

“CPAB rules” means the rules and bylaws of CPAB, as amended from time to time;

"participating audit firm" means a public accounting firm that has entered into a participation agreement and that has not had its participant status terminated or, if its participant status was terminated, the status has been reinstated by CPAB;

"participation agreement" means a written agreement between CPAB and a public accounting firm in connection with CPAB's program of practice inspections and the establishment of practice requirements;

“professional standards” means the standards, as amended from time to time, listed in section 300 of CPAB rules that are applicable to participating audit firms;

"public accounting firm" means a person or company engaged in the business of providing the services of a public accountant.

PART 2
AUDITOR OVERSIGHT

Public Accounting Firms

2. A public accounting firm that prepares an auditor's report with respect to the financial statements of a reporting issuer must be, as of the date of the auditor's report

(a) a participating audit firm,

(b) in compliance with any remedial action referred to in subsection 5(1), and

(c) in compliance with the notice requirements of subsections 5(1) and (2).

Notice to Reporting Issuer if Public Accounting Firm Not in Compliance

3. (1) If a public accounting firm has been appointed to prepare an auditor's report with respect to the financial statements of a reporting issuer and, at any time before signing the auditor’s report, the public accounting firm is not in compliance with the requirements of paragraphs 2(a), (b) or (c), the public accounting firm must deliver to the reporting issuer a notice in writing that it is not in compliance within 2 business days of first becoming aware of its non-compliance.

(2) A public accounting firm that previously delivered a notice to a reporting issuer under subsection(1) must not notify the reporting issuer that it is in compliance with paragraph 2(a), (b) or (c) unless the public accounting firm has been informed in writing by CPAB that the circumstances that gave rise to the notice no longer apply.

(3) A public accounting firm must deliver a copy of a notice required under this section to CPAB on the same day that the notice is delivered to the reporting issuer.

Reporting Issuers

4. A reporting issuer that files its financial statements accompanied by an auditor's report must have the auditor's report prepared by a public accounting firm that, as of the date of the auditor's report,

(a) is a participating audit firm, and

(b) has not delivered to the reporting issuer a notice under subsection 3(1) or, if it has delivered to the reporting issuer a notice under subsection 3(1), the public accounting firm has notified the reporting issuer that the circumstances that gave rise to the notice no longer apply.

PART 3
NOTICE

Notice of Remedial Action to the Regulator or the Securities Regulatory Authority

5. (1) A participating audit firm appointed to prepare an auditor's report with respect to the financial statements of a reporting issuer must deliver a notice to the regulator or, in Quebec, the securities regulatory authority, if any of the following occurs:

(a) CPAB notifies the participating audit firm in writing that it requires the participating audit firm to take one or more of the following remedial actions:

(i) terminate an audit engagement;

(ii) engage an independent monitor to observe and report to CPAB on the participating audit firm's compliance with professional standards;

(iii) engage an external reviewer or supervisor to oversee the work of the participating audit firm;

(iv) limit the type or number of new reporting issuer audit clients the participating audit firm may accept;

(b) CPAB notifies the participating audit firm in writing that it must disclose to the regulator or, in Quebec, the securities regulatory authority, any remedial action not referred to in paragraph (a);

(c) CPAB publicly discloses a remedial action with which the participating audit firm must comply.

(2) The notice required under subsection (1) must be in writing and must include all of the following:

(a) how the participating audit firm failed to comply with professional standards;

(b) the name of each reporting issuer whose audit file was referred to by CPAB in its communications with the participating audit firm as the basis, in whole or in part, for CPAB's conclusion that the participating audit firm failed to comply with professional standards;

(c) each remedial action that CPAB imposed on the participating audit firm, as described by CPAB;

(d) the time period within which the participating audit firm must comply with each remedial action, as described by CPAB.

(3) A participating audit firm must deliver the notice required under subsection (2) to the regulator or, in Quebec, the securities regulatory authority, no later than 2 business days after the date that CPAB notifies the participating audit firm that it must comply with any remedial action under paragraph (1)(a), (b) or (c).

(4) The participating audit firm must deliver a copy of a notice required under this section to CPAB on the same day that the notice is delivered to the regulator or, in Quebec, the securities regulatory authority.

Additional Notice Relating to Defects in the System of Quality Control

6. (1) If CPAB required a participating audit firm to comply with any remedial action relating to a defect in the participating audit firm's system of quality control, and CPAB notifies the participating audit firm in writing that it has failed to address the defect in its system of quality control to the satisfaction of CPAB within the time period required by CPAB, the participating audit firm must deliver a notice to all of the following:

(a) for each reporting issuer for which the participating audit firm is appointed to prepare an auditor's report,

(i) the audit committee, or

(ii) if the reporting issuer does not have an audit committee, the person or company responsible for reviewing and approving the reporting issuer's financial statements before they are filed;

(b) the regulator or, in Quebec, the securities regulatory authority.

(2) The notice required under subsection (1) must be in writing and must describe all of the following:

(a) the defect in the participating audit firm's system of quality control identified by CPAB;

(b) the remedial action imposed by CPAB, including the date the remedial action was imposed and the time period within which CPAB required the participating audit firm to address the defect in its system of quality control;

(c) why the participating audit firm failed to address the defect in its system of quality control within the time period required by CPAB.

(3) A participating audit firm must deliver the notice required under subsection (1) no later than 10 business days after the participating audit firm received notice from CPAB in writing that the participating audit firm failed to address the defect in its system of quality control within the time period required by CPAB.

(4) The participating audit firm must deliver a copy of a notice required under this section to CPAB on the same day the notice is delivered to the regulator or, in Quebec, the securities regulatory authority.

Notice Before New Appointment

7. (1) A participating audit firm that is seeking an appointment to prepare an auditor's report with respect to the financial statements for a financial year of a reporting issuer must deliver a notice to the reporting issuer's audit committee or, if the reporting issuer does not have an audit committee, the person or company responsible for reviewing and approving the reporting issuer's financial statements before they are filed, if

(a) the participating audit firm did not audit the financial statements of the reporting issuer for the immediately preceding financial year, and

(b) CPAB informed the participating audit firm within the preceding 12-month period that the participating audit firm failed to address a defect in its system of quality control to the satisfaction of CPAB.

(2) The notice required under subsection (1) must be in writing and include the information referred to in subsection 6(2).

PART 4
EXEMPTION

Exemption

8. (1) The regulator or the securities regulatory authority may grant an exemption from this Instrument, in whole or in part, subject to such conditions and restrictions as may be imposed in the exemption.

(2) Despite subsection (1), in Ontario, only the regulator may grant such an exemption.

(3) Except in Ontario, an exemption referred to in subsection (1) is granted under the statute referred to in Appendix B of NI 14-101 opposite the name of the local jurisdiction.

PART 5
REPEAL AND EFFECTIVE DATE

Repeal

9. National Instrument 52-108 *Auditor Oversight* is repealed.

Effective Date

10. This Instrument comes into force on September 30, 2014.

ANNEX D

THE POLICY

COMPANION POLICY 52-108CP
AUDITOR OVERSIGHT

Introduction

CPAB is an independent oversight body for public accounting firms that audit financial statements of reporting issuers. The purpose of CPAB is to promote high quality external audits of reporting issuers. It is responsible for developing and implementing an oversight program that includes regular inspections of participating audit firms. CPAB's primary means of assessing the quality of audits is through the inspection of selected high-risk sections of audit files and elements of a participating audit firm's system of quality control.

The purpose of National Instrument 52-108 is to contribute to public confidence in the integrity of financial reporting by reporting issuers by requiring:

- a reporting issuer to engage an auditor that has entered into a participation agreement with CPAB in connection with CPAB's program of practice inspections and the establishment of practice requirements,
- a participating audit firm to be in compliance with specified remedial actions imposed by CPAB,
- a participating audit firm to deliver a notice to the regulator or, in Quebec, the securities regulatory authority, if CPAB imposes specified remedial actions, including the termination of an audit engagement or the engagement of an independent monitor to observe and report on compliance with professional standards, and
- a participating audit firm to deliver a notice to the reporting issuer's audit committee or the person or company responsible for reviewing and approving financial statements, of its reporting issuer clients if the firm failed to address a defect in the firm's system of quality control that was previously identified by CPAB.

The purpose of this Companion Policy is to state the view of the securities regulatory authorities on various matters related to the Instrument.

Section 1 – Definition of Participating Audit Firm

Many of the requirements in the Instrument are linked to the definition of participating audit firm in section 1. For example, section 5 of the Instrument imposes a notice requirement on a participating audit firm in a number of circumstances, including where CPAB requires the firm to terminate an audit engagement. CPAB may impose a remedial action on a participating audit firm that specifically pertains to one or more individuals involved in a professional capacity with the participating audit firm. If a remedial action imposed by CPAB on a participating audit firm specifically pertains to an individual acting in a professional capacity with the participating audit firm, this remedial action would be included in the content of a notice to the regulator or, in Quebec, the securities regulatory authority in accordance with paragraph 5(2)(c).

Section 1 – Definition of Professional Standards

The definition of professional standards refers to the standards listed in section 300 of CPAB rules, which are standards relating to auditing, ethics, independence and quality control.

Subsection 5(1) and Paragraph 6(1)(b) – Notice to the Regulator or the Securities Regulatory Authority

Both subsection 5(1) and paragraph 6(1)(b) of the Instrument require a participating audit firm to deliver a notice to the regulator or, in Quebec, the securities regulatory authority. "Regulator" and "securities regulatory authority" are defined in NI 14-101 – *Definitions*. Each participating audit firm that is subject to either of these provisions must deliver the notice to the regulator or, in Quebec, the securities regulatory authority, in each jurisdiction in which the firm is appointed by one or more reporting issuers to prepare an auditor's report with respect to their financial statements. The securities regulatory authorities will consider the notice requirement in each of these provisions of the Instrument to have been satisfied if the notice is sent to auditor.notice@acvm-csa.ca and identifies each jurisdiction that is to receive notice.

Subsection 5(1) – Remedial Action Imposed by CPAB

Subsection 5(1) of the Instrument requires a participating audit firm to deliver a notice to the regulator or, in Quebec, the securities regulatory authority, of certain remedial actions imposed by CPAB. CPAB may refer to an item in subsection 5(1) of

the Instrument as a recommendation, a requirement, a restriction or a sanction, or CPAB may use a different term. A participating audit firm must deliver the notice under section 5 of the Instrument if the remedial action is described in that section, without regard to how CPAB refers to it. For example, a notice is required by subparagraph 5(1)(a)(i) of the Instrument if CPAB requires a participating audit firm to terminate an audit engagement regardless of whether CPAB refers to it as a recommendation, requirement, restriction, sanction or uses a different term.

Subparagraph 5(1)(a)(iii) – Engagement of an External Reviewer or Supervisor

Subparagraph 5(1)(a)(iii) of the Instrument requires a participating audit firm to deliver a notice to the regulator or, in Quebec, the securities regulatory authority, if CPAB requires a participating audit firm to engage an external reviewer or supervisor to oversee its work. One example of when a participating audit firm would notify the regulator is when CPAB requires the firm to engage an external engagement quality control reviewer to perform a technical review of one or more audits performed by the firm.

Subparagraph 5(1)(a)(iv) – Limitation on a Participating Audit Firm from Accepting New Reporting Issuer Audit Clients

Subparagraph 5(1)(a)(iv) of the Instrument requires a participating audit firm to deliver a notice to the regulator or, in Quebec, the securities regulatory authority, if CPAB limits the type or number of new reporting issuer audit clients the firm accepts. The securities regulatory authorities consider this type of limitation to include restrictions on accepting audit engagements of reporting issuers in a particular industry. For example, a participating firm that is limited for any period of time from auditing the financial statements of mining companies is subject to subparagraph 5(1)(a)(iv) in the Instrument even if the firm may continue to audit reporting issuers in other industries.

The securities regulatory authorities also consider the term “new reporting issuer audit client” to refer to any reporting issuer the financial statements of which were not audited by the participating audit firm for the reporting issuer’s most recently completed financial year. For example, if a participating firm was asked to audit the financial statements of a reporting issuer for the first time in respect of its 2013 fiscal year, that issuer would be a new reporting issuer audit client of the firm. Similarly, if a participating audit firm had audited the reporting issuer’s 2011 financial statements but did not audit the 2012 financial statements, the securities regulatory authorities would also consider the issuer to be a new reporting issuer audit client of the firm in respect of the 2013 financial statement audit.

Paragraph 5(1)(b) – Notice Required at Discretion of CPAB

Paragraph 5(1)(b) of the Instrument requires a participating audit firm to deliver a notice to the regulator or, in Quebec, the securities regulatory authority, at the discretion of CPAB. One example of when CPAB may require a participating audit firm to notify the regulator is when the firm failed to comply with a remedial action within the period CPAB required.

Subsection 5(2) – Contents of Notice

Subsection 5(2) of the Instrument sets out the content requirements for a notice delivered to the regulator or, in Quebec, the securities regulatory authority, by a participating audit firm.

Paragraph 5(2)(a) requires a participating audit firm to include a description of how the participating audit firm failed to comply with professional standards. The description included in the notice should be substantially similar to the description CPAB has provided the participating audit firm. There may be situations in which the description may need to be modified to remove reference to information protected by professional secrecy in Quebec.

Paragraph 5(2)(c) requires a participating audit firm to include a description of each remedial action that CPAB imposed on the firm, as described by CPAB. This includes, but is not limited to, remedial actions referred to in subsection 5(1). For example, if CPAB requires a participating audit firm to engage an independent monitor under subparagraph 5(1)(a)(ii) of the Instrument and also imposes additional remedial actions on the firm other than those referred to in subsection 5(1), the notice must include a complete description of such other remedial actions.

ANNEX E

BLACKLINE OF THE INSTRUMENT AGAINST THE PROPOSED INSTRUMENT PUBLISHED FOR COMMENT

NATIONAL INSTRUMENT 52-108
AUDITOR OVERSIGHT

PART 1
DEFINITIONS AND APPLICATION

Definitions

1. In this Instrument

"CPAB" means the Canadian Public Accountability Board/Conseil canadien sur la reddition de comptes, incorporated as a corporation without share capital under the *Canada Corporations Act* by Letters Patent dated April 15, 2003;

“CPAB rules” means the rules and bylaws of CPAB, as amended from time to time;

"participating audit firm" means a public accounting firm that has entered into a participation agreement and that has not had its participant status terminated or, if its participant status was terminated, the status has been reinstated by CPAB;

"participation agreement" means a written agreement between CPAB and a public accounting firm in connection with CPAB's program of practice inspections and the establishment of practice requirements;

~~"participating audit firm" means a public accounting firm that has entered into a participation agreement and that has not had its participant status terminated or, if its participant status was terminated, the status has been reinstated by CPAB;~~

“professional standards” means the standards, as amended from time to time, listed in section 300 of CPAB rules that are applicable to participating audit firms;

"public accounting firm" means a person or company engaged in the business of providing the services of a ~~as~~ public accountant~~s~~.

PART 2
AUDITOR OVERSIGHT

Public Accounting Firms

2. A public accounting firm that prepares an auditor's report with respect to the financial statements of a reporting issuer must be, as of the date of ~~its~~ the auditor's report~~,~~

(a) a participating audit firm,

(b) in compliance with any remedial action referred to under subsection 5(1), and

(c) in compliance with the notice requirements ~~in~~ of subsections 5(1) and (2).

Notice to Reporting Issuer if Public Accounting Firm Not in Compliance

3. (1) If a public accounting firm has been appointed to prepare an auditor's report with respect to the financial statements of a reporting issuer and, at any time before signing the ~~audit~~ auditor’s report, the public accounting firm is not in compliance with the requirements of paragraphs 2(a), (b) or (c), the public accounting firm must ~~provide~~ deliver to the reporting issuer ~~with~~ a notice in writing that it is not in compliance within 2 business days of first becoming aware of its non-compliance.

(2) A public accounting firm that ~~has~~ previously ~~provided~~ delivered a notice to a reporting issuer under subsection (1) must not notify ~~a~~ the reporting issuer that it ~~complies~~ is in compliance with paragraph~~s~~ 2(a), (b) or (c) unless ~~it~~ the public accounting firm has been informed in writing by CPAB that the circumstances that gave rise to the notice no longer apply.

(3) A public accounting firm must deliver a copy of a notice required under this section to CPAB on the same day that ~~it~~ the notice is delivered to the reporting issuer.

Reporting Issuers

4. A reporting issuer that files its financial statements accompanied by an auditor's report ~~of a public accounting firm~~ must have the auditor's report prepared by a public accounting firm that, as of the date of the auditor's report,

(a) is a participating audit firm, and

(b) has not ~~given~~ delivered to the reporting issuer a notice under subsection 3(1) or, if it has ~~given~~ delivered to the reporting issuer a notice under subsection 3(1), the public accounting firm has notified the reporting issuer that the circumstances that gave rise to the notice no longer apply.

PART 3
NOTICE

Notice of Remedial Action to the Regulator or the Securities Regulatory Authority

5. (1) A participating audit firm appointed to prepare an auditor's report with respect to the financial statements of a reporting issuer must deliver a notice to the regulator or, in Quebec, the securities regulatory authority, if any of the following occurs:

(a) CPAB notifies the participating audit firm in writing that it requires the participating audit firm to take one or more of the following remedial actions:

(i) terminate an audit engagement;

(ii) engage an independent monitor to observe and report to CPAB on the participating audit firm's compliance with professional standards;

(iii) engage an external reviewer or supervisor to oversee the work of the participating audit firm;

(iv) limit the type or number of new reporting issuer audit clients the participating audit firm may accept;

(b) CPAB notifies the participating audit firm in writing that it must disclose to the regulator or, in Quebec, the securities regulatory authority, any remedial action not referred to in paragraph (a);

(c) CPAB publicly discloses a remedial action with which the participating audit firm must comply.

(2) The notice required under subsection (1) must be in writing and must include ~~the descriptions CPAB provided the participating audit firm~~ all of the following:

(a) how the participating audit firm failed to comply with professional standards;

(b) the name of each reporting issuer whose audit file was referred to by CPAB in its communications with the participating audit firm as the basis, in whole or in part, for CPAB's conclusion that the participating audit firm failed to comply with professional standards;

(c) each remedial action that CPAB imposed on the participating audit firm, as described by CPAB;

(d) ~~for greater certainty,~~ the time ~~frame~~ period within which the participating audit firm must comply with each remedial action, as described by CPAB.

(3) A participating audit firm must deliver the ~~The~~ notice ~~described in~~ required under subsection (2) ~~must be delivered~~ to the regulator or, in Quebec, the securities regulatory authority, no later than 2 business days after the date that CPAB notifies the participating audit firm that it must comply with any remedial action under paragraph (1)(a), (b)~~,~~ or (c).

(4) The participating audit firm must deliver a copy of a notice required under this section to CPAB on the same day that ~~it~~ the notice is delivered to the regulator or, in Quebec, the securities regulatory authority.

Additional Notice Relating to Defects in the System of Quality Control ~~Systems~~

6. (1) If CPAB required a participating audit firm to comply with any remedial action relating to a defect in the participating audit firm's system of quality control ~~systems~~, and CPAB notifies the participating audit firm in writing that it has failed to address the defect in its system of quality control ~~systems~~ to the satisfaction of CPAB within the time period required by CPAB, the participating audit firm must deliver a notice to all of the following:

(a) for each reporting issuer for which the participating audit firm is appointed to prepare an auditor's report,

(i) the audit committee, or

(ii) if the reporting issuer does not have an audit committee, the person or company responsible for reviewing and approving the reporting issuer's financial statements before they are filed;

(b) the regulator or, in Quebec, the securities regulatory authority.

(2) The notice required under subsection (1) must be in writing and must describe all of the following:

(a) the defect in the participating audit firm's system of quality control ~~systems~~ identified by CPAB;

(b) the remedial action imposed by CPAB, including the date the remedial action was imposed and the time period within which CPAB required the participating audit firm to address the defect in its system of quality control ~~systems~~;

(c) why the participating audit firm ~~did not~~ failed to address the defect in its system of quality control ~~systems~~ within the time period required by CPAB.

(3) A participating audit firm must deliver the notice required under subsection (1) no later than 10 business days after the participating audit firm received notice from CPAB in writing that the participating audit firm failed to address the defect in its system of quality control ~~systems~~ within the time period required by CPAB.

(4) The participating audit firm must deliver a copy of a notice required under this section to CPAB on the same day ~~it~~ the notice is delivered to the regulator or, in Quebec, the securities regulatory authority.

Notice Before New Appointment

7. (1) A participating audit firm that is seeking an appointment to prepare an auditor's report with respect to the financial statements for a financial year of a reporting ~~issuer for a financial year~~ must ~~provide~~ deliver a notice to the reporting issuer's audit committee or, if the reporting issuer does not have an audit committee, the person or company responsible for reviewing and approving the reporting issuer's financial statements before they are filed, if

(a) the participating audit firm did not audit the financial statements of the reporting issuer for the immediately preceding financial year, and

(b) CPAB informed the participating audit firm within the preceding 12-month period that the participating audit firm failed to address a defect~~s~~ in its system of quality control ~~systems~~ to the satisfaction of CPAB.

(2) The notice required under subsection (1) must be in writing and include the information referred to in subsection 6(2).

PART 4
EXEMPTION

Exemption

8. (1) The regulator or the securities regulatory authority may grant an exemption from this Instrument, in whole or in part, subject to such conditions and restrictions as may be imposed in the exemption.

(2) Despite subsection (1), in Ontario, only the regulator may grant such an exemption.

(3) Except in Ontario, an exemption referred to in subsection (1) is granted under the statute referred to in Appendix B of NI 14-101 opposite the name of the local jurisdiction.

PART 5
REPEAL AND EFFECTIVE DATE

Repeal

9. National Instrument 52-108 *Auditor Oversight* is repealed.

Effective Date

10. This Instrument comes into force on September 30, 2014.

ANNEX F

AMENDMENTS TO NI 41-101

1. National Instrument 41-101 General Prospectus Requirements is amended.

2. Form 41-101F1 is amended by adding the following after item 26.1:

Auditor that was not a participating audit firm

26.1.1 (1) If the auditor referred to in section 26.1 was not a participating audit firm, as defined in NI 52-108, as at the date of the most recent auditor's report on financial statements included in the prospectus, include a statement in substantially the following form:

"[*Audit Firm A*] audited the financial statements of [*Entity B*] for the year ended [*state the period of the most recent financial statements included in the prospectus*] and issued an auditor's report dated [*state the date of the auditor's report for the relevant financial statements*]. As at [*state the date of the auditor's report for the relevant financial statements*], [*Audit Firm A*] was not required by securities legislation to enter, and had not entered, into a participation agreement with the Canadian Public Accountability Board. An audit firm that enters into a participation agreement is subject to the oversight program of the Canadian Public Accountability Board."

(2) If an auditor of the financial statements required by Item 32 was not a participating audit firm, as defined in NI 52-108, as at the date of the most recent auditor's report issued by that auditor on financial statements included in the prospectus, include a statement in substantially the following form:

"[*Audit Firm C*] audited the financial statements of [*Entity D*] for the year ended [*state the period of the most recent financial statements, if any, included in the prospectus under Item 32*] and issued an auditor's report dated [*state the date of the auditor's report for the relevant financial statements*]. As at [*state the date of the auditor's report for the relevant financial statements*], [*Audit Firm C*] was not required by securities legislation to enter, and had not entered, into a participation agreement with the Canadian Public Accountability Board. An audit firm that enters into a participation agreement is subject to the oversight program of the Canadian Public Accountability Board.

3. This Instrument comes into force on September 30, 2014.

ANNEX G

AMENDMENTS TO NI 51-102

1. National Instrument 51-102 Continuous Disclosure Obligations is amended.

2. Subsection 4.11(5) is amended

(a) in paragraph (a) by replacing "10 days***" with "***3 days***",***

(b) in clause (a)(ii)(C)by replacing "20 days***" with "***7 days***", and***

(c) in paragraph (b) by replacing "30 days***" with "***14 days***".***

3. Subsection 4.11(6) is amended

(a) in paragraph (a) by replacing "10 days***" with "***3 days***",***

(b) in clause (a)(ii)(C) by replacing "20 days***" with "***7 days***",***

(c) in subparagraph (a)(iii) by replacing "20 days***" with "***7 days***",***

(d) in paragraph (b) by replacing "30 days***" with "***14 days***", and***

(e) by deleting "either***" in subparagraph (b)(iv).***

4. Subsection 4.11(8) is replaced with the following:

(8) **Predecessor Auditor's Obligations to Report Non-Compliance** – If a reporting issuer does not file the reporting package required to be filed under subparagraph (5)(b)(ii) or the news release required to be filed under subparagraph (5)(b)(iv), the predecessor auditor must, within 3 days of the required filing date, advise the reporting issuer in writing of the failure and deliver a copy of the letter to the regulator or, in Quebec, the securities regulatory authority..

5. Section 4.11 is amended by adding the following after subsection (8):

(9) **Successor Auditor's Obligations to Report Non-Compliance** – If a reporting issuer does not file the reporting package required to be filed under subparagraph (6)(b)(ii) or the news release required to be filed under subparagraph (6)(b)(iv), the successor auditor must, within 3 days of the required filing date, advise the reporting issuer in writing of the failure and deliver a copy of the letter to the regulator or, in Quebec, the securities regulatory authority.

6. This Instrument comes into force on September 30, 2014.

ANNEX H

CHANGES TO 51-102CP

1. The changes proposed to Companion Policy 51-102CP of National Instrument 51-102 Continuous Disclosure Obligations are set out in this schedule.

2. Part 4 is changed by adding the following after section 4.3:

4.4 Predecessor and successor auditor reporting of non-compliance with change of auditor requirements – Subsections 4.11(8) and 4.11(9) of the Instrument require a predecessor and successor auditor to deliver to the regulator or, in Quebec, the securities regulatory authority, a copy of a letter sent to a reporting issuer advising a reporting issuer of its failure to comply with the change of auditor reporting requirements. "Regulator" and "securities regulatory authority" are defined in NI 14-101 – *Definitions*. The securities regulatory authorities will consider the notice requirement in each of these provisions of the Instrument to have been satisfied if the notice is sent to auditor.notice@acvm-csa.ca.

3. These changes become effective on September 30, 2014.

ANNEX I

AMENDMENTS TO NI 71-102

1. National Instrument 71-102 Continuous Disclosure Obligation and Other Exemptions Relating to Foreign Issuers is amended.

2. Section 4.3 is amended by

(a) adding "required to be***" after "***annual financial statements***" in paragraph (c),***

(b) deleting "and***" in paragraph (d),***

(c) adding "and***" to the end of paragraph (e), and***

(d) adding the following after paragraph (e):

(f) complies with NI 52-108 *Auditor Oversight*.

3. Section 5.4 is amended by

(a) deleting "and***" in paragraph (c),***

(b) adding "and***" to the end of paragraph (d), and***

(c) adding the following after paragraph (d):

(e) complies with NI 52-108 *Auditor Oversight*.

4. This Instrument comes into force on September 30, 2014.

ANNEX J

CHANGES TO 71-102CP

1. The changes proposed to Companion Policy 71-102CP of National Instrument 71-102 Continuous Disclosure Obligations and other Exemptions Relating to Foreign Issuers are set out in this schedule.

2. Section 6.4 is replaced by the following:

6.4 Financial statements and auditor's report relief – Section 4.3 of the Instrument provides certain relief for an SEC foreign issuer relating to financial statements and auditors' reports on annual financial statements. Section 5.4 provides similar relief for a designated foreign issuer. The relief is available only if the particular foreign issuer meets all of the conditions listed in sections 4.3 and 5.4, respectively, including the requirement to comply with NI 52-107 and NI 52-108 *Auditor Oversight*. Sections 4.3 and 5.4 do not provide relief from

(a) the certification requirements in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual or Interim Filings*, or

(b) the audit committee requirements in National Instrument 52-110 *Audit Committees*.

SEC foreign issuers and designated foreign issuers must look to those instruments for any exemptions that may be available to them.

3. These changes become effective on September 30, 2014.

ANNEX K

LOCAL MATTERS

In Ontario, the Instrument and amendments to NI 41-101, NI 51-102 and NI 71-102 were delivered to the Minister of Finance on July 17, 2014. The Minister may approve or reject the Instrument or amendments or return them for further consideration. If the Minister approves the Instrument and amendments, or does not take any further action, the Instrument will come into force on September 30, 2014.

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 8

Notice of Exempt Financings

REPORT OF TRADES ON FORM 45-106F1 AND 45-501F1

There are no Reports of Exempt Distribution on Forms 45-106F1 or 45-501F1 (Reports) in this Bulletin.

Reports filed on or after February 19, 2014 must be filed electronically.

As a result of the transition to mandated electronic filings, the OSC is considering the most effective manner to make data about filed Reports available to the public, including whether and how this information should be reflected in the Bulletin. In the meantime, Reports filed with the Commission continue to be available for public inspection during normal business hours.

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Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:
CARDS II Trust
Principal Regulator - Ontario
Type and Date:
Preliminary Base Shelf Prospectus dated July 7, 2014
NP 11-202 Receipt dated July 7, 2014
Offering Price and Description:
Up to $11,000,000,000.00 - Credit Card Receivables Backed Notes
Underwriter(s) or Distributor(s):
CIBC WORLD MARKETS INC.
Promoter(s):
CANADIAN IMPERIAL BANK OF COMMERCE
Project #2231202

Issuer Name:
Dalradian Resources Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated July 14, 2014
NP 11-202 Receipt dated July 14, 2014
Offering Price and Description:
$15,030,000.00 - 16,700,000 Units
Price: $0.90 per Unit
Underwriter(s) or Distributor(s):
CANACCORD GENUITY CORP.
CORMARK SECURITIES INC.
BMO NESBITT BURNS INC.
BEACON SECURITIES LIMITED
DUNDEE SECURITIES LTD.
JENNINGS CAPITAL INC.
NATIONAL BANK FINANCIAL INC.
Promoter(s):
-
Project #2231821

Issuer Name:
Dividend Growth Split Corp.
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated July 9, 2014
NP 11-202 Receipt dated July 9, 2014
Offering Price and Description:
Maximum: $ * - Up to * Preferred Shares and * Class A Shares
Prices: $ * per Preferred Share and $ * per Class A Share
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
CIBC World Markets Inc.
Scotia Capital Inc.
TD Securities Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
GMP Securities L.P.
Raymond James Ltd.
Canaccord Genuity Corp.
Desjardins Securities Inc.
Dundee Securities Ltd.
Mackie Research Capital Corporation
Manulife Securities Incorporated
Promoter(s):
-
Project #2231957

Issuer Name:
Horizonte Minerals PLC
Type and Date:
Preliminary Short Form Prospectus dated July 14, 2014
Receipted on July 14, 2014
Offering Price and Description:
$ * - * Ordinary Shares
Price: $ * per Offered Share
Underwriter(s) or Distributor(s):
PARADIGM CAPITAL INC.
Promoter(s):
-
Project #2232943

Issuer Name:
Pretium Resources Inc.
Principal Regulator - British Columbia
Type and Date:
Preliminary Base Shelf Prospectus dated July 8, 2014
NP 11-202 Receipt dated July 8, 2014
Offering Price and Description:
U.S.$600,000,000.00:
Common Shares
Preferred Shares
Debt Securities
Subscription Receipts
Units
Warrants
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2231658

Issuer Name:
Redwood Equity Growth Class
Redwood Global Macro Class
Redwood Income Growth Class
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectuses dated July 4, 2014
NP 11-202 Receipt dated July 8, 2014
Offering Price and Description:
Series A, F and I Shares
Underwriter(s) or Distributor(s):
-
Promoter(s):
Redwood Asset Management Inc.
Project #2231425

Issuer Name:
Rubicon Minerals Corporation
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated July 9, 2014
NP 11-202 Receipt dated July 9, 2014
Offering Price and Description:
$12,002,000.00 - 7,060,000 Flow-Through Shares
$1.70 per Flow-Through Share
Underwriter(s) or Distributor(s):
TD SECURITIES INC.
BMO NESBITT BURNS INC.
NATIONAL BANK FINANCIAL INC.
CANACCORD GENUITY CORP.
Promoter(s):
-
Project #2230906

Issuer Name:
Terrace Energy Corp.
Principal Regulator - British Columbia
Type and Date:
Preliminary Short Form Prospectus dated July 9, 2014
NP 11-202 Receipt dated July 9, 2014
Offering Price and Description:
$20,017,000.00 - 10,820,000 Common Shares
Price: $1.85 per Share
Underwriter(s) or Distributor(s):
CANACCORD GENUITY CORP.
CORMARK SECURITIES INC.
GMP SECURITIES L.P.
SALMAN PARTNERS INC.
Promoter(s):
-
Project #2232008

Issuer Name:
AutoCanada Inc.
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated July 4, 2014
NP 11-202 Receipt dated July 8, 2014
Offering Price and Description:
$200,070,000.00 Treasury Offering (2,565,000 Common Shares);
$150,150,000.00 Secondary Offering (1,925,000 Common Shares)
Price: $78.00 per Offered Share
Underwriter(s) or Distributor(s):
RBC DOMINION SECURITIES INC.
SCOTIA CAPITAL INC.
CLARUS SECURITIES INC.
CANACCORD GENUITY CORP.
CORMARK SECURITIES INC.
GMP SECURITIES L.P.
HSBC SECURITIES (CANADA) INC.
CIBC WORLD MARKETS INC.
Promoter(s):
-
Project #2227291

Issuer Name:
Caldwell High Income Equity Fund
Caldwell Balanced Fund
Caldwell Income Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated July 4, 2014
NP 11-202 Receipt dated July 11, 2014
Offering Price and Description:
Series A and Series F Units
Underwriter(s) or Distributor(s):
Caldwell Securities Ltd.
Promoter(s):
-
Project #2221654

Issuer Name:
CARDS II Trust
Principal Regulator - Ontario
Type and Date:
Final Base Shelf Prospectus dated July 14, 2014
NP 11-202 Receipt dated July 14, 2014
Offering Price and Description:
Up to $11,000,000,000.00 - Credit Card Receivables Backed Notes
Underwriter(s) or Distributor(s):
CIBC WORLD MARKETS INC.
Promoter(s):
CANADIAN IMPERIAL BANK OF COMMERCE
Project #2231202

Issuer Name:
Dream Hard Asset Alternatives Trust
Principal Regulator - Ontario
Type and Date:
Final Long Form Prospectus dated July 4, 2014
NP 11-202 Receipt dated July 7, 2014
Offering Price and Description:
$10,000,000.00
$10.00 per Unit
1,000,000 Units
Secondary Distribution by the Distributing ROI Funds
72,617,739 Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
Dream Asset Management Corporation
Project #2209050

Issuer Name:
Freehold Royalties Ltd.
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated July 9, 2014
NP 11-202 Receipt dated July 9, 2014
Offering Price and Description:
$125,085,000.00
4,650,000 Common Shares
Price: $26.90 per Common Share
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
RBC Dominion Securities Inc.
TD Securities Inc.
BMO Nesbitt Burns Inc.
Scotia Capital Inc.
AltaCorp Capital Inc.
National Bank Financial Inc.
Promoter(s):
-
Project #2227274

Issuer Name:
Galileo Growth and Income Fund
Galileo High Income Plus Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated June 27, 2014
NP 11-202 Receipt dated July 8, 2014
Offering Price and Description:
Class A and F units
Underwriter(s) or Distributor(s):
-
Promoter(s):
Galileo Global Equity Advisors Inc.
Project #2213766

Issuer Name:
Horizons Canadian Midstream Oil & Gas Index ETF (Class A Units)
Principal Regulator - Ontario
Type and Date:
Final Long Form Prospectus dated July 3, 2014
NP 11-202 Receipt dated July 7, 2014
Offering Price and Description:
Class A Units @ Net Asset Value
Underwriter(s) or Distributor(s):
-
Promoter(s):
HORIZONS ETFs MANAGEMENT (CANADA) INC.
Project #2214847 & 2174474

Issuer Name:
iShares Core Short Term High Quality Canadian Bond Index ETF
Principal Regulator - Ontario
Type and Date:
Final Long Form Prospectus dated July 9, 2014
NP 11-202 Receipt dated July 10, 2014
Offering Price and Description:
Exchange traded fund at net asset value
Underwriter(s) or Distributor(s):
BlackRock Asset Management Canada Limited
Promoter(s):
-
Project #2222606

Issuer Name:
Mackenzie Canadian All Cap Balanced Class* (Series LB and LX)
Mackenzie Income Fund (Series LB)
(*A class of Mackenzie Financial Capital Corporation)
Principal Regulator - Ontario
Type and Date:
Amendment No. 1 dated June 27, 2014
to the Simplified Prospectuses dated November 28, 2013 (SP amendment no. 1) and Amendment No. 2 dated June 27, 2014 (together with SP amendment no. 1, "Amendment no. 2") to the Annual Information Form dated November 28, 2013
NP 11-202 Receipt dated July 8, 2014
Offering Price and Description:
Series LB and LX @ Net Asset Value
Underwriter(s) or Distributor(s):
LB Financial Services Inc.
Promoter(s):
Mackenzie Financial Corporation
Project #2122654

Issuer Name:
Maestro Capital Corporation
Principal Regulator - Ontario
Type and Date:
Final CPC Prospectus dated July 9, 2014
NP 11-202 Receipt dated July 10, 2014
Offering Price and Description:
$400,000.00
4,000,000 common shares
Price: $0.10 per common share
Underwriter(s) or Distributor(s):
PI Financial Corp.
Promoter(s):
Sean Caulfeild
Project #2220972

Issuer Name:
MAG Silver Corp.
Principal Regulator - British Columbia
Type and Date:
Final Short Form Prospectus dated July 9, 2014
NP 11-202 Receipt dated July 9, 2014
Offering Price and Description:
C$75,030,000.00
7,320,000 Common Shares
Price: C$10.25 per Offered Share
Underwriter(s) or Distributor(s):
MACQUARIE CAPITAL MARKETS CANADA LTD.
SCOTIA CAPITAL INC.
NATIONAL BANK FINANCIAL INC.
TD SECURITIES INC.
PI FINANCIAL CORP.
Promoter(s):
-
Project #2227687

Issuer Name:
Mongolia Growth Group Ltd.
Principal Regulator - Ontario
Type and Date:
Final Base Shelf Prospectus dated July 14, 2014
NP 11-202 Receipt dated July 14, 2014
Offering Price and Description:
$20,000,000.00
Common Shares
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2226263

Issuer Name:
Panoro Minerals Ltd.
Principal Regulator - British Columbia
Type and Date:
Final Short Form Prospectus dated July 9, 2014
NP 11-202 Receipt dated July 9, 2014
Offering Price and Description:
$5,040,000.00
12,000,000 Common Shares
$0.42 per Common Shares
Underwriter(s) or Distributor(s):
NATIONAL BANK FINANCIAL INC.
LAURENTIAN BANK SECURITIES INC.
Promoter(s):
-
Project #2226436

Issuer Name:
PowerShares 1-3 Year Laddered Floating Rate Note Index ETF
PowerShares LadderRite U.S. 0-5 Year Corporate Bond Index ETF
PowerShares S&P Emerging Markets Low Volatility Index ETF
PowerShares S&P International Developed Low Volatility Index ETF
Principal Regulator - Ontario
Type and Date:
Final Long Form Prospectus dated July 8, 2014
NP 11-202 Receipt dated July 11, 2014
Offering Price and Description:
Mutual Fund Units @ Net Asset Value
Underwriter(s) or Distributor(s):
-
Promoter(s):
Invesco Canada Ltd.
Project #2203629

Issuer Name:
Quest Rare Minerals Ltd.
Principal Regulator - Quebec
Type and Date:
Final Short Form Prospectus dated July 9, 2014
NP 11-202 Receipt dated July 10, 2014
Offering Price and Description:
Minimum Offering of $1,170,000.00 (4,333,333 Units)
Maximum Offering of $5,000,000.00 (18,518,518 Units)
($0.27 per Unit)
Underwriter(s) or Distributor(s):
GMP Securities L.P.
Desjardins Securities Inc.
Maison Placements Canada Inc.
Jones, Gable & Company Limited
Promoter(s):
-
Project #2220895

Issuer Name:
Redwood Diversified Equity Fund
Redwood Diversified Income Fund
Redwood Global Small Cap Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated July 7, 2014
NP 11-202 Receipt dated July 9, 2014
Offering Price and Description:
Series A and F units
Underwriter(s) or Distributor(s):
Redwood Asset Management Inc.
Promoter(s):
Redwood Asset Management Inc.
Project #2214768

Issuer Name:
RIOCAN REAL ESTATE INVESTMENT TRUST
Principal Regulator - Ontario
Type and Date:
Final Base Shelf Prospectus dated July 7, 2014
NP 11-202 Receipt dated July 8, 2014
Offering Price and Description:
$3,000,000,000.00:
Debt Securities Units (Senior Unsecured)
Preferred Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2228736

Issuer Name:
Sprott Inc.
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated July 10, 2014
NP 11-202 Receipt dated July 10, 2014
Offering Price and Description:
$60,000,000.00
20,000,000 Common Shares
Price: $3.00 per Offered Share
Underwriter(s) or Distributor(s):
TD SECURITIES INC.
SCOTIA CAPITAL INC.
RBC DOMINION SECURITIES INC.
CIBC WORLD MARKETS INC.
GMP SECURITIES L.P.
CANACCORD GENUITY CORP.
CORMARK SECURITIES INC.
DESJARDINS SECURITIES INC.
Promoter(s):
-
Project #2226849

Issuer Name:
Tangerine Balanced Growth Portfolio
Tangerine Balanced Income Portfolio
Tangerine Balanced Portfolio
Tangerine Equity Growth Portfolio
Principal Regulator - Ontario
Type and Date:
Amendment No. 1 dated June 27, 2014
(amendment no. 1) to the Amended and Restated Annual Information Form dated April 7, 2014,
amending and restating the Annual Information Form dated November 12, 2013
NP 11-202 Receipt dated July 8, 2014
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
ING Direct Funds Limited
Tangerine Investment Funds Limited
Promoter(s):
ING Direct Asset Management Limited
Project #2102646

Issuer Name:
Tuscany Energy Ltd.
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated July 9, 2014
NP 11-202 Receipt dated July 9, 2014
Offering Price and Description:
Up to $3,000,000.00
Up to 7,500,000 Units or Up to 7,500,000 CDE Flow-Through Shares or a combination of Units and CDE Flow-Through Shares to a maximum of 7,500,000 Securities, in the aggregate
Price: $0.40 per Unit $0.40 per CDE Flow-Through Share
Underwriter(s) or Distributor(s):
ACUMEN CAPITAL FINANCE PARTNERS LIMITED
INDUSTRIAL ALLIANCE SECURITIES INC.
RICHARDSON GMP LIMITED
Promoter(s):
-
Project #2228878

Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
Change in Registration Category	ALPHAFIXE CAPITAL INC.	From: Portfolio Manager To: Investment Fund Manager and Portfolio Manager	July 10, 2014
Change in Registration Category	DORCHESTER INVESTMENT MANAGEMENT / GESTION DE PLACEMENTS DORCHESTER	From:Portfolio Manager To: Portfolio Manager and Investment Fund Manager	July 11, 2014

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Chapter 13

SROs, Marketplaces and Clearing Agencies

13.3 Clearing Agencies

13.3.1 Notice of Effective Date – Technical Amendments to CDS Procedures – Segregation of CDSX Functions

NOTICE OF EFFECTIVE DATE
TECHNICAL AMENDMENTS TO CDS PROCEDURES
SEGREGATION OF CDSX FUNCTIONS

The Ontario Securities Commission is publishing *Notice of Effective Date – Technical Amendments to CDS Procedures – Segregation of CDSX Functions*. The CDS procedure amendments were reviewed and approved by CDS's strategic development review committee (SDRC) on June 26, 2014. CDS has determined that these amendments will become effective on August 11, 2014.

A copy of the CDS notice is published on our website http://www.osc.gov.on.ca.

13.3.2 OSC Staff Notice of Request for Comment – Material Amendments to CDS Procedures – Amendments to Processing a New York Link Participant Default

OSC STAFF NOTICE OF REQUEST FOR COMMENT
CDS CLEARING AND DEPOSITORY SERVICES INC. (CDS®)
AMENDMENTS TO PROCESSING A NEW YORK LINK PARTICIPANT DEFAULT

The Ontario Securities Commission is publishing for public comment the proposed amendments to the CDS Participant Procedures regarding the changes to the processing of a New York Link (NYL) Participant default. These changes are intended to mitigate the potentially unlimited liquidity risk to which CDS and CDS Participants are exposed to that use the NYL service, as well as ensure CDS complies with the Committee on Payment and System Systems (CPSS) and the Technical Committee of the International Organization of Securities Commissions (IOSCO) Principles for Financial Market Infrastructures (PFMIs), by remediating any gaps CDS has in order to comply with the PFMIs. The public comment period ends on August 16, 2014.

A copy of the CDS notice is published on our website at http://www.osc.gov.on.ca.

Chapter 25

Other Information

25.1 Consents

25.1.1 Galahad Metals Inc. – s. 4(b) of the Regulation

Headnote

Consent given to an offering corporation under the Business Corporations Act (Ontario) to continue under the Business Corporations Act(British Columbia).

Statutes Cited

Business Corporations Act, R.S.O. 1990, c. B.16, as am., s. 181.
Securities Act, R.S.O. 1990, c. S.5, as am.
Business Corporations Act, S.B.C. 2002, c. 57.

Regulations Cited

Regulation made under the Business Corporations Act, O. Reg. 289/00, as am., s. 4(b).

July 9, 2014

IN THE MATTER OF
R.R.O 1990, REGULATION 289/00, AS AMENDED
(the "Regulation")
MADE UNDER THE BUSINESS CORPORATIONS ACT
(ONTARIO), R.S.O. 1990, c. B.16, AS AMENDED
(the "OBCA")

AND

IN THE MATTER OF
GALAHAD METALS INC.

CONSENT
(Subsection 4(b) of the Regulation)

UPON the application of Galahad Metals Inc. (the "**Applicant**") to the Ontario Securities Commission (the "**Commission**") requesting the consent from the Commission, pursuant to subsection 4(b) of the Regulation, for the Applicant to continue into the Province of British Columbia, (the "**Continuance**") pursuant to Section 181 of the OBCA;

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

AND UPON the Applicant having represented to the Commission that:

1. The Applicant was incorporated under the OBCA by articles of incorporation effective August 1, 2000.

2. The Applicant's registered and head office is located at 716 Pelton Road, Kemptville, Ontario, K0G 1J0.

3. The authorized capital of the Applicant consists of an unlimited number of common shares ("**Common Shares**") and an unlimited number of series preferred shares ("**Series Preferred Shares**"), of which there are currently 56,222,860 Common Shares and no Series Preferred Shares issued and outstanding. The Common Shares of the Applicant are listed for trading on the Canadian Securities Exchange under the symbol "RHX". The Applicant does not have any securities listed on any other exchange, except for the Canadian Securities Exchange.

4. The Applicant proposes to make an application to the Director under the OBCA pursuant to Section 181 of the OBCA (the "**Application for Continuance**") for authorization to continue into the Province of British Columbia under the *Business Corporations Act* (British Columbia), S.B.C. 2002, c. 57 (the "**BCBCA**") (the "**Continuance**").

5. Pursuant to subsection 4(b) of the Regulation, the Application for Continuance must, in the case of an "offering corporation" (as defined in the OBCA), be accompanied by a consent from the Commission.

6. The Applicant is an "offering corporation" under the OBCA and is a reporting issuer under the *Securities Act* (Ontario) R.S.O. 1990, c. S.5, as amended (the "**Act**"), and is also a reporting issuer under the securities legislation of British Columbia, Alberta, Saskatchewan, Nova Scotia and New Brunswick. The Applicant is not a reporting issuer or the equivalent in any other jurisdiction.

7. The general nature of the Applicant's business is exploration, development, exploitation and acquisition of mineral properties.

8. The Applicant has no subsidiaries.

9. The Applicant is not in default under any provision of the OBCA and the Act, or any of the regulations or rules made under the OBCA and the Act or under the securities legislation of any other jurisdiction in which it is a reporting issuer.

10. The Applicant is not a party to any proceeding or, to the best of its information, knowledge or belief, any pending proceeding under the OBCA and the

Act or under the securities legislation of any other jurisdiction where it is a reporting issuer.

11. A summary of the material provisions respecting the proposed Continuance was provided to the shareholders of the Applicant in the management information circular of the Applicant dated April 7, 2014 (the "**Circular**") in respect of the Applicant's special meeting of shareholders held on May 28, 2014 (the "**Meeting**"). The Circular was mailed to shareholders of record at the close of business on April 7, 2014 and was filed on SEDAR on April 22, 2014.

12. In accordance with the OBCA and the Act and the Applicant's constating documents, the special resolution of shareholders to be obtained at the Meeting in connection with the proposed Continuance (the "**Continuance Resolution**") required the approval of a minimum majority of 66 2/3% of the aggregate votes cast by the shareholders present in person or by proxy at the Meeting. Each shareholder is entitled to one vote for each Common Share held.

13. The Applicant's shareholders had the right to dissent with respect to the proposed Continuance pursuant to Section 185 of the OBCA, and the Circular disclosed full particulars of this right in accordance with applicable law.

14. The Continuance Resolution was approved at the Meeting by 95.93% of the votes cast by the shareholders of the Applicant in respect of the Continuance Resolution. None of the shareholders of the Applicant exercised dissent rights pursuant to section 185 of the OBCA.

15. The Applicant believes that certain aspects of the BCBCA will better facilitate the Applicant's business and affairs than the OBCA. In particular, the BCBCA will offer the Applicant greater flexibility with respect to the recruitment of non-resident directors.

16. Following the Continuance:

    a. the Applicant intends to remain a reporting issuer in Ontario and in each of the other jurisdictions where it is currently a reporting issuer;

    b. the Applicant's registered office will be located in Vancouver, British Columbia;

    c. the Applicant's head office will be located in Vancouver, British Columbia; and

    d. the Applicant will apply to make the British Columbia Securities Commission its principal regulator.

17. The material rights, duties and obligations of a corporation governed by the BCBCA are substantially similar to those of a corporation governed by the OBCA.

AND UPON the Commission being satisfied that to do so would not be prejudicial to the public interest;

THE COMMISSION HEREBY CONSENTS to the Continuance of the Applicant as a corporation under the BCBCA.

DATED at Toronto, Ontario this 9th day of July, 2014.

"Deborah Leckman"
Commissioner
Ontario Securities Commission

"Wes M. Scott"
Commissioner
Ontario Securities Commission

25.2 Permissions

25.2.1 Canaccord Genuity Limited, on behalf of FatFace Group plc

Headnote

Filer granted permission from the Director, pursuant to s. 38(3) of the Securities Act (Ontario), to make listing representations in its offering memorandum (through the incorporation of the preliminary or final prospectus) to the effect that the filer has made an application to the FCA for all of the issued and to be issued Shares of the Company to be admitted to the premium listing segment of the Official List of the FCA, and to London Stock Exchange plc for all of the Shares to be admitted to trading on the London Stock Exchange's main market for listed securities, when admission is expected to become effective, and when the over-allotment option will be exercisable.

Statutes Cited

Securities Act, R.S.O. 1990, c. S.5, as am., s. 38(3).

May 12, 2014

Norton Rose Fulbright Canada LLP
200 Bay Street, Suite 3800
Royal Bank Plaza, South Tower
Toronto, Ontario
M5J 2Z4

Attention: Mr. Bruce Sheiner

Re: Canaccord Genuity Limited, on behalf of FatFace Group plc

Application for Permission to Make a Listing Representation

Further to your letter submitted on behalf of Canaccord Genuity Limited (the **Filer**) on behalf of FatFace Group plc (the **Company**) dated May 9, 2014 (the **Application**), we understand that:

1. The Company is incorporated under the *Companies Act 2006* (United Kingdom) and registered in England and Wales with registered number 06148029.

2. The Company is contemplating an initial public offering of its Ordinary Shares (each a **Share**) and to have all of the issued and to be issued Shares of the Company be admitted to the premium listing segment of the Official List of the Financial Conduct Authority (the FCA) and to London Stock Exchange plc (the **Offering**).

3. The Company is not a reporting issuer in any jurisdiction in Canada.

4. The Offering is being made by way of prospectus (the **Prospectus**) in the United Kingdom and (i) in the United States only to qualified institutional buyers and (ii) to institutional investors outside of the United States including Ontario.

5. It is contemplated that the Offering will be made by way a private placement (the **Private Placement**) in the Canadian provinces of Ontario and Quebec.

6. In connection with the Private Placement, it is expected that prospective investors in Ontario and Quebec will be provided a preliminary and final Canadian offering memorandum that includes, as applicable, the preliminary or final Prospectus (collectively the **Offering Memorandums**).

7. Each prospective investor in Ontario or Quebec will be an "accredited investor" in accordance with National Instrument 45-106 *Prospectus and Registration Exemptions* and a "permitted client" in accordance with National Instrument 31-103 *Registration Requirements and Exemptions*.

8. The placement agent in Canada for the Private Placement (the **Placement Agent**) will, when distributing securities to residents of Ontario, rely on appropriate exemptions from the prospectus requirements and will either (i) rely on the "international dealer" exemption to the registration requirement, or (ii) be a dealer registered under the securities laws of Ontario.

9. The Offering Memorandum will contain representations identical or substantially similar to the following (the **Listing Representations**):

   a. *"Application has been made to the FCA for all of the issued and to be issued Shares of the Company to be admitted to the premium listing segment of the Official List of the FCA and to London Stock Exchange plc for all of the Shares to be admitted to trading on the London Stock Exchange's main market for listed securities."*

   b. *"It is expected that Admission will become effective, and that unconditional dealings in the Shares will commence on the London Stock Exchange at 8.00 a.m. (London time) on [●]. Settlement of dealings from that date will be on a three day rolling basis. Prior to Admission, conditional dealings in the Shares are expected to commence on the London Stock Exchange on [●]. Dealings on the London Stock Exchange before Admission will only be settled if Admission takes place."*

   c. *"The Over-allotment Option will be exercisable in whole or in part, upon notice by the Stabilising Manager, at any*

time on or before the 30th calendar day after the commencement of conditional dealings of the Shares on the London Stock Exchange."

10. No approval for the listing of the Shares on the London Stock Exchange, conditional or otherwise, has been granted, nor has such stock exchange consented to, nor indicated that they do not object to, the Listing Representations. The Company does not intend to apply to list the Shares on any other exchange or quotation system.

11. The Filer seeks permission to include the Listing Representations in the Offering Memorandums to be provided and made available to prospective Ontario purchasers.

Based upon the representations above and the representations contained in your Application, permission is hereby granted pursuant to subsection 38(3) of the *Securities Act* (Ontario) to include the Listing Representations (through the incorporation of the preliminary or final Prospectus, as the case may be) in the Offering Memorandums to be provided to or made available to prospective Ontario purchasers.

Yours very truly,

"Jo-Anne Matear"
Manager, Corporate Finance Branch
Ontario Securities Commission

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