

## Chapter 5

# Rules and Policies

### 5.1 Rules and Policies

#### 5.1.1 Rescissions of National Policy No. 4, National Policy No. 16 and National Policy No. 20

##### NOTICE OF RESCISSIONS OF NATIONAL POLICY NO. 4 CONDITIONS FOR DEALER SUB-UNDERWRITINGS, NATIONAL POLICY NO. 16 MAINTENANCE OF PROVINCIAL TRADING RECORDS, AND NATIONAL POLICY NO. 20 TRADING IN UNQUALIFIED SECURITIES -- SECURITIES IN PRIMARY DISTRIBUTION IN OTHER JURISDICTIONS

#### Notice of Rescissions of Policies

The Canadian securities regulatory authorities have rescinded the following National Policies:

- National Policy No. 4 Conditions for Dealer Sub-Underwritings ("NP 4")
- National Policy No. 16 Maintenance of Provincial Trading Records ("NP 16")
- National Policy No. 20 Trading in Unqualified Securities -- Securities in Primary Distribution in Other Jurisdictions ("NP 20")

The rescission is effective April 1, 1999.

A notice respecting the proposed rescission of these Policies was published on September 11, 1998 at (1998), 21 OSCB 5809. Interested parties were invited to make written submissions with respect to the proposed rescissions. No submissions were received and no changes have been made from the draft, other than the addition of an effective date.

#### Text of Rescissions

##### 1. NP 4

"National Policy No. 4 entitled "Conditions for Dealer Sub-Underwritings" is rescinded effective April 1, 1999."

##### 2. NP 16

"National Policy No. 16 entitled "Maintenance of Provincial Trading Records" is rescinded effective April 1, 1999."

##### 3. NP 20

"National Policy No. 20 entitled "Trading in Unqualified Securities -- Securities in Primary Distribution in Other Jurisdictions" is rescinded effective April 1, 1999."

**DATED: March 26, 1999.**

### 5.1.2 Notice of Amendment to National Instrument 14-101 - Definitions

#### NOTICE OF AMENDMENT TO NATIONAL INSTRUMENT 14-101 DEFINITIONS

#### Notice of Amendment to National Instrument

The Commission has, under section 143 of the *Securities Act* (the "Act"), amended National Instrument 14-101 Definitions (the "Amendment").

The Amendment and the material required by the Act to be delivered to the Minister of Finance were delivered on March 24, 1999. The Amendment will come into force on July 1, 1999 unless the Minister rejects the Amendment or returns it to the Commission for further consideration.

Coincident on the coming into force of the National Instrument, the terms "equity security", "issuer bid" and "take-over bid" are deleted from Rule 14-501 Definitions. The amendment to Rule 14-501 Definitions, which came into force on February 13, 1999 provided that those terms are deleted from Rule 14-501 on the coming into force of the amendments to National Instrument 14-101 Definitions.

#### Substance and Purpose of Amendment

National Instrument 14-101 Definitions (the "National Instrument"), which was adopted by each of the jurisdictions of the Canadian Securities Administrators (the "CSA") and came into force on April 1, 1997<sup>1</sup>, was designed to achieve three purposes. First, the National Instrument was intended to provide a national approach to interpretation of national instruments and increase the level of consistency in both the interpretation and application of national instruments. Second, the National Instrument was intended to provide a framework of terms the definitions of which the CSA have agreed upon for use in future national instruments. Third, the National Instrument set out commonly used terms, such as "Canadian GAAP", definitions of terms necessary to provide local application of a national instrument such as "securities regulatory authority" and definitions of terms used in more than one national instrument, although not used as frequently as some of the more general terms.

At the time the National Instrument was published for comment, it was expected to be amended from time to time to add definitions of new terms that meet any of these three

<sup>1</sup> In Ontario, published at (1997), 20 OSCB 1727.

criteria. The purpose of the proposed amendment is to add a number of definitions of additional terms to the National Instrument, modify subsection 1.1(2) to refer to one or more jurisdictions rather than a single jurisdiction and to extend the application of the National Instruments to Multilateral Instruments. A Multilateral Instrument is an instrument typically adopted by more than one CSA member, but not all CSA members.

**Summary of Amendment**

The proposed Amendment to the National Instrument would add a number of definitions of new terms to the National Instrument so that those terms would be defined for the purposes of national instruments. The proposed amendment also changes the reference to the Northwest Territories in Appendix C of the National Instrument and also modifies slightly the definitions of "1933 Act" and "1934 Act". The proposed amendment also amends section 1.1 to add a reference to "multilateral instruments" so that the National Instrument applies to Multilateral Instruments. The proposed amendment also modifies subsection 1.1(2) to refer to one or more jurisdictions rather than a single jurisdiction.

Most of the terms to be added to the National Instrument through this amendment are generic terms that describe specific provisions of Canadian securities legislation in a manner that avoids using specific section numbers of any particular statute and that can therefore be used in any jurisdiction. Those terms include "adviser registration requirement", "dealer registration requirement", "insider reporting requirement", "networking notice requirement", "prospectus requirement", "registration requirement" and "underwriter registration requirement". By defining these terms in this manner, national instruments can be drafted to make reference only to these terms without having to list the applicable provisions of each jurisdiction's securities legislation.

In addition, the proposed amendment would add the terms "equity security", "issuer bid", "multilateral instrument", "take-over bid" and "U.S. federal securities laws" to the National Instrument.

**Summary of Written Comments Received by the Commission**

There were no written comments received by the Commission on the Amendment.

**Text of Amendment**

The text of the Amendment follows.

**DATED: March 26, 1999.**

**AMENDMENT TO  
NATIONAL INSTRUMENT 14-101  
DEFINITIONS**

**PART 1 AMENDMENTS**

**1.1 Amendments**

- (1) National Instrument 14-101 Definitions is amended by
  - (a) adding the words "or multilateral instrument" after the words "national instrument" every place they appear in section 1.1 except in the definition of "national instrument";
  - (b) deleting subsection 1.1(2) and replacing it with the following:
- (2) A provision or reference within a provision of a national instrument or multilateral instrument that specifically refers by name to one or more jurisdictions other than the local jurisdiction shall not have any effect in the local jurisdiction, unless otherwise stated in the national instrument or multilateral instrument;
  - (c) amending the definition of "1933 Act" in subsection 1.1(3) by adding the words "as amended from time to time" following the word "America";
  - (d) amending the definition of "1934 Act" in subsection 1.1(3) by adding the words "as amended from time to time" following the word "America";
  - (e) adding the following definition to subsection 1.1(3) after the definition of "1934 Act":
 

"adviser registration requirement" means the requirement in securities legislation that prohibits a person or company from acting as an adviser unless the person or company is registered in the appropriate category of registration under securities legislation;
  - (f) adding the following definitions to subsection 1.1(3) after the definition of "CSA":
 

"dealer registration requirement" means the requirement in securities legislation that prohibits a person or company from trading in a security unless the person or company is registered in the appropriate category of registration under securities legislation;

- "equity security" has the meaning ascribed to that term in securities legislation;
- (g) adding the following definitions to subsection 1.1(3) after the definition of "implementing law of a jurisdiction":
- "insider reporting requirement" means the requirement in securities legislation for an insider of a reporting issuer to file reports disclosing the insider's direct or indirect beneficial ownership of, or control or direction over, securities of the reporting issuer;
- "issuer bid" has the meaning ascribed to that term in securities legislation;
- (h) adding the following definition to subsection 1.1(3) after the definition "local jurisdiction":
- "multilateral instrument" means an instrument described by the CSA as a multilateral instrument, and adopted or made by the securities regulatory authority;
- (i) adding the following definition to subsection 1.1(3) after the definition of "national instrument":
- "networking notice requirement" means the requirement in securities legislation that a registrant give written notice to the securities regulatory authority or regulator before entering into a networking arrangement;
- (j) adding the following definitions to subsection 1.1(3) after the definition of "person or company":
- "prospectus requirement" means the requirement in securities legislation that prohibits a person or company from distributing a security unless a preliminary prospectus and prospectus for the security have been filed and receipts obtained for them;
- "registration requirement" means the requirement in securities legislation that prohibits a person or company from trading in a security or acting as an underwriter or an adviser unless the person or company is registered in the appropriate category of registration under securities legislation;
- (k) deleting the word "and" following the definition of "securities regulatory authority" in subsection 1.1(3) and adding the following definitions to

subsection 1.1(3) after the definition of "SRO":

"take-over bid" has the meaning ascribed to that term in securities legislation;

"underwriter registration requirement" means the requirement in securities legislation that prohibits a person or company from acting as an underwriter unless the person or company is registered in the appropriate category of registration under securities legislation; and

"U.S. federal securities law" means the federal statutes of the United States of America concerning the regulation of securities markets and trading in securities and the regulations, rules, forms and schedules under those statutes, all as amended from time to time; and

- (l) replacing the words "Securities Registry, Government of the Northwest Territories" opposite "Northwest Territories" in Appendix C with the words "Registrar of Securities, Northwest Territories".

## PART 2 EFFECTIVE DATE

- 2.1 Effective Date** - This Amendment comes into force on July 1, 1999.