

**DRAFT INITIAL REGULATIONS
FOR THE COOPERATIVE
CAPITAL MARKETS REGULATORY SYSTEM**

August 25, 2015

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I. INTRODUCTION

British Columbia, New Brunswick, Ontario, Prince Edward Island, Saskatchewan and Yukon (collectively, the CMR Jurisdictions) and the Government of Canada (collectively, the participating jurisdictions) have entered into a Memorandum of Agreement (MOA) Regarding the Cooperative Capital Markets Regulatory System (Cooperative System), which was released on April 16, 2015. In the MOA, the parties agreed that the principal components of the Cooperative System will include:

- a uniform act that would be proposed for enactment in each participating province and territory addressing all matters of provincial or territorial jurisdiction in the regulation of capital markets (the Capital Markets Act or CMA);
- complementary federal legislation applying throughout Canada that would be proposed for enactment by Parliament and that would address criminal matters and matters relating to systemic risk in national capital markets and national data collection (the Capital Markets Stability Act or CMSA); and
- a single operationally independent Capital Markets Regulatory Authority (the CMRA or the Authority), with an expert board of directors, a regulatory division and an adjudicative tribunal, that administers the CMA and CMSA and a single set of regulations, all as specified in legislation and other constating charter documents.

Consultation drafts of the CMA and CMSA were published for comment on September 8, 2014. The comment period ended on December 8, 2014. The participating jurisdictions have reviewed the comments and are concurrently publishing for a 120 day comment period a revised consultation draft of the CMA, together with the draft initial regulations. Publication of a revised consultation draft of the CMSA has been deferred to a later date.

Under the MOA, enactment of the CMA and CMSA is targeted to occur on or before June 30, 2016. The power to adopt regulations under both the CMA and CMSA rests with the board of directors of the CMRA, subject to approval by the Council of Ministers, although the initial regulations may be given effect through legislation. The Council of Ministers is made up of the Minister responsible for capital markets regulation in each participating province and territory and the Minister of Finance of Canada.

The CMR Jurisdictions have agreed that they will approve a set of initial regulations and that draft initial regulations will be published for comment. Accordingly, the CMR Jurisdictions are now publishing for comment draft initial regulations, forms and policies. We are publishing blacklines of the national and multilateral instruments against the current British Columbia Securities Commission versions (for English) and the New Brunswick Financial and Consumer Services Commission versions (for French) of the instruments.

At this stage, it is not contemplated that any regulations will be proposed under the CMSA before the CMRA becomes operational. Regulations under the CMSA are expected to address data collection and systemic risk mitigation. Regulations to mitigate systemic risk will be developed only after a process of data analysis and risk identification.

II. BACKGROUND

The CMA, like most existing provincial and territorial securities acts, sets out the fundamental regulatory provisions for the capital markets, the powers of the regulator, and offences and civil remedies while leaving the detailed regulatory requirements to be set by regulation.

To maintain continuity and minimize disruption for market participants during transition to the Cooperative System, the draft initial regulations, forms and policies have been adapted primarily from existing rules, forms and policies in the CMR Jurisdictions.

The existing rules, forms and policies in the CMR Jurisdictions were adopted either:

- on a substantially harmonized basis by provincial and territorial regulators in the form of national (adopted in all provinces and territories) or multilateral (adopted by only some provinces and territories) instruments, forms and policies; or
- as what are commonly referred to as local rules, forms and policies, although they have different names in various provinces and territories, such as OSC Rules and BC Instruments. These local rules, forms and policies are frequently not harmonized.

National and Multilateral Instruments, Forms and Policies

Although a national instrument is often referred to as if it were a single rule adopted by the Canadian Securities Administrators (CSA), the national instrument is adopted as a rule under the legislation of each province or territory and it must be interpreted and applied as a rule or regulation in that province or territory. The use of generic terms like “local jurisdiction” and “securities regulatory authority” are commonly used to enable identical provisions to be implemented in multiple jurisdictions.

Most of the existing national instruments contain provisions referred to as “carve-outs” that do not apply in all provinces and territories. For the convenience of market participants, these provisions are included in the versions of the instruments published in all jurisdictions, but they have legal effect only in the provinces or territories specifically named in the “carve-out” provisions.

This system of national instruments, forms and policies has resulted in a high degree of harmonization of regulatory requirements among provinces and territories, which simplifies compliance and provides a basis for regulatory cooperation.

We are proposing that the initial regulations, forms and policies adopted by the CMRA under the CMA would maintain the existing system of national instruments, forms and policies. This will simplify the transition to the Cooperative System.

The draft initial regulations, forms and policies include a set of regulations that have been adapted from current national and multilateral instruments, forms and policies that are proposed to be adopted by the CMR Jurisdictions, revised as described below, to reflect the CMA and the integration of provincial and territorial regulators into the CMRA in those jurisdictions. The initial regulations proposed for the Cooperative System would only apply in CMR Jurisdictions.

We have proposed changes from existing national and multilateral instruments, forms and policies as necessary to fit them under the CMA and to establish a single set of requirements applicable in the CMR Jurisdictions. Proposed changes from existing instruments to ensure that the regulations fit under the CMA are discussed in more detail below. The revisions we describe in this commentary are intended to assist market participants in understanding the differences between the current system of national and multilateral instruments and the draft initial regulations that are proposed for adoption by CMR Jurisdictions under the Cooperative System. *The changes proposed would not affect national and multilateral instruments, forms and policies adopted by non-CMR Jurisdictions.*

The draft initial regulations proposed for the CMA reflect instruments, forms and policies and amendments that were effective on, or for which CSA members published advance notice of implementation before March 2, 2015.

We are monitoring proposals for new instruments, forms and policies such as proposed National Instrument 24-102 *Clearing Agency Requirements* and amendments to existing instruments, forms and policies such as National Instrument 23-101 *Trading Rules* and Multilateral Instrument 62-104 *Take-over Bids and Issuer Bids*. We plan to:

- include any new instrument as part of the initial regulations if all CMR Jurisdictions adopt it prior to the date the CMRA commences operations; and
- change any existing national or multilateral instrument to reflect amendments all CMR Jurisdictions adopt prior to the date the CMRA commences operations.

We will not publish these new instruments and amendments for comment because they would have been part of the CSA process. We anticipate that these instruments and amendments will be adopted as part of the initial regulations with the common drafting changes mentioned below.

New CMRA Regulations

All CMR Jurisdictions have existing local regulations, rules, blanket orders and other regulatory instruments. In this commentary, we will refer to all of these as “local rules”.

We have drafted new “CMRA Regulations” to replace the local rules of the CMR Jurisdictions and to accommodate other requirements contemplated by the CMA that cannot readily be incorporated into existing national or multilateral instruments.

We reviewed all of the local rules in the CMR Jurisdictions effective March 2, 2015 and considered whether to carry them forward and, if so, in what form. Any existing local rules that we propose to carry forward will apply in all CMR Jurisdictions. Where local rules in different CMR Jurisdictions dealt with the same subject matter or requirements in different ways, we reconciled the differences.

Because the CMA is more platform than the current securities acts in some of the CMR Jurisdictions, some provisions of current securities acts were relocated to a new CMRA Regulation. For example, the prospectus delivery requirements currently found in securities acts are now in a new CMRA Regulation dealing with distributions.

The new CMRA Regulations are discussed in more detail in Part V below.

There are two types of appendices attached to this commentary. The first type provides tables of concordance for the new CMRA Regulations indicating the local rule on which each proposed CMRA provision is based. The second type lists existing local rules in the CMR Jurisdictions and indicates which are proposed to be carried forward.

Derivatives Regulations

One significant difference between the CMA and current securities acts in the CMR Jurisdictions is the derivatives provisions. The CMA provisions are similar to the provisions in the Ontario *Securities Act*, including derivatives provisions not-yet-in-force. It is expected that the *Commodity Futures Act* (Ontario) will be proposed to be repealed, subject to the enactment and coming into force of the CMA.

We propose new CMRA Regulations for exchange-traded and over-the-counter derivatives that provide a single set of requirements in the CMR Jurisdictions. Some changes to the status quo are inevitable because of the significant differences in the current derivatives regimes but the objective is to ensure a smooth transition to the new provisions. The full derivatives regime is still being developed. After the CMR launch date, work will continue to fulfill Canada's commitments to the G-20 in the field of derivatives. See "Derivatives", below.

Specific Questions for Market Participants

Throughout this commentary, we ask specific questions about changes we propose to make in the initial regulations. You will find those questions in the following discussions:

- Part IV (D) (1) – Companion Policy 41-101 *General Prospectus Requirements* – “Special Warrants/ Converting Securities” and “Other Convertible Securities”
- Part IV (D) (11) – National Policy 47-201 *Trading Securities Using the Internet and Other Electronic Means*
- Part V (G) (3) – CMRA Policy 71-601 *Distributions of Securities to Persons Outside CMR Jurisdictions*
- Part V (G) (3) – CMRA Regulation 71-501 *International Issuers and Securities Transactions with Persons Outside the CMR Jurisdictions*
- Part V (I) (A) – OTC Derivatives – “Registration and Prospectus Exemptions for OTC Derivatives”
- Part V (I) (B) – Exchange Contracts – “Registration Exemptions for Exchange Contracts”
- Part V (I) (C) – Exempt Derivatives
- Part V (I) – CMRA Regulation 91-502 *Trade Repositories and Derivatives Data Reporting*

Matters to be addressed after publication

Prospectus Exemptions

The participating jurisdictions will publish for comment in the coming months a harmonized set of prospectus exemptions that strike an appropriate balance between access to capital and investor protections. The delay in publishing the prospectus exemption proposals is intended to provide additional drafting time, given existing differences among CMR Jurisdictions and regulatory initiatives under consideration, without delaying this publication of the draft initial regulations.

Proposed prospectus exemptions under the Cooperative System will include capital raising exemptions that are already harmonized, such as the accredited investor exemption, together with newly-harmonized exemptions.

In developing the proposed newly-harmonized exemptions, we considered stakeholder feedback on various proposals relating to the exempt market regime published for comment by CMR Jurisdictions as well as non-participating jurisdictions. The proposed newly-harmonized exemptions will include:

- an exemption allowing issuers listed on specified Canadian exchanges to raise capital from their existing security holders,
- a family, friends and business associates exemption,
- two exemptions permitting securities-based crowdfunding. The first will generally follow the blanket orders published by the securities regulatory authorities in British Columbia, New Brunswick, Saskatchewan and certain other CSA jurisdictions on May 14, 2015. The second will generally follow the proposed Multilateral Instrument 45-108 *Crowdfunding* published for comment by the securities regulatory authorities in New Brunswick, Ontario, Saskatchewan and certain other CSA jurisdictions on March 20, 2014, and
- an offering memorandum exemption (OM exemption).

While the OM exemption is currently available in some CMR Jurisdictions, it will represent a new prospectus exemption in Ontario that will enable issuers to raise capital from a broad investor base. As currently contemplated, there will be no limit on the offering size. However there will be investment limits that will vary depending on the income or assets of the purchaser and on whether the purchaser has received suitability advice from a registrant that is a portfolio manager, a member of the Investment Industry Regulatory Organization of Canada or an exempt market dealer. The registrant will not have to be independent of the issuer.

The publication of the prospectus exemptions will also include exemptions that bring forward and harmonize certain existing local exemptions, such as those relating to capital accumulation plans and certain types of real estate securities. A note signaling these exemptions appears adjacent to the relevant provisions in the draft CMRA Regulation 41-501 *Prospectus Requirements and Exemptions*.

Policies, Interpretation Notes and Staff Notices

We will consider local policies, interpretation notes, and staff notices (together with CSA staff notices), after this publication. Following our review, we will communicate which of these are expected to apply in the CMR Jurisdictions, together with information about any changes.

Interface

Neither the CMA nor the draft initial regulations include provisions that establish an interface with non-participating jurisdictions. We expect that an interface will be agreed upon with non-participating jurisdictions. Any required amendments to the draft initial regulations or policies will be developed following that agreement. For that reason, we are not publishing Multilateral Instrument 11-102 *Passport System*, National Policy 11-202 *Process for Prospectus Reviews in Multiple Jurisdictions*, National Policy 11-203 *Process for Exemptive Relief Applications in Multiple Jurisdictions*, National Policy 11-204 *Process for Registration in Multiple Jurisdictions*, National Policy 11-205 *Process for Designation of Credit Rating Organizations in Multiple Jurisdictions*, National Policy 11-206 *Process for Cease to be a Reporting Issuer Applications* or National Policy 11-207 *Failure-to-File Cease Trade Orders and Revocations under Passport*. Where we have published initial regulations that refer to an interface, we have placed a note to draft adjacent to the relevant provisions in those initial regulations.

Fees

The draft initial regulations do not include a fee regulation for the CMRA or for the national filing systems. We will be drafting a fee regulation and changes to Multilateral Instrument 13-102 *System Fees for SEDAR and NRD*, and will publish them for comment in the coming months.

III. COMMON DRAFTING CHANGES

The following summarizes the drafting changes made from the existing national or multilateral instruments, forms and policies.

Changes to instruments, forms and policies to accommodate proposed initial regulations under the CMA

These changes include:

- using the term “CMR Jurisdiction” to replace references to an individual participating province and territory;
- replacing references to provincial and territorial securities regulators in CMR Jurisdictions with “Chief Regulator” or the “Authority”, as applicable, except when the references are to past decisions of those entities or the reference is an important historical note;
- updating the contact information to replace references to the existing provincial and territorial regulators in the CMR Jurisdictions with references to the Authority, but retaining the same addresses and contact details; and

- adding terms to National Instrument 14-101 *Definitions* to reflect the terms used in the CMA (see the discussion under National Instrument 14-101 below).

False carve-outs and carve-outs:

A false carve-out is included in an existing national or multilateral instrument where an identical or substantially similar definition or requirement is located in a provincial or territorial securities act, and the false carve-out thereby ensures that the securities act's definition or requirement applies.

A carve-out is included in an existing national or multilateral instrument where a province or territory intends to achieve a different policy outcome and does not want a given provision in the instrument to apply in that jurisdiction.

We propose the following changes with respect to false carve-outs and carve-outs in existing national and multilateral instruments:

- adding new carve-outs: we added new carve-outs for CMR Jurisdictions where a term defined in an instrument or a requirement imposed in an instrument is substantively different from a term or requirement in the CMA and we want the CMA definition or requirement to apply in CMR Jurisdictions;
- adding new false carve-outs: we added new false carve-outs for CMR Jurisdictions where a term defined in an instrument or a requirement imposed in an instrument is identical or substantively the same as in the CMA and we want the CMA definition or requirement to apply in CMR Jurisdictions;
- extending existing false carve-outs: we extended certain existing false carve-outs, replacing references to a particular participating province or territory with "a CMR Jurisdiction", where a term defined or a requirement imposed in an instrument is substantively equivalent to a term or requirement in the CMA and we want the CMA definition or requirement to apply in CMR Jurisdictions. In these instances, we have added an explanatory note to indicate where the requirement can be found in the CMA;
- deleting existing false carve-outs: we deleted existing false carve-outs that currently apply to a particular participating province or territory where we want CMR Jurisdictions to rely on a definition or requirement in an instrument;
- removing existing Ontario carve-outs giving the regulator the power to grant discretionary exemptions from existing instruments. The exemptive power is set out in section 94 [Exemption orders] of the CMA; and
- for instruments that impose filing obligations relating to French or English language documents, adding a carve-out for CMR Jurisdictions and a note to readers advising that section 183 [Linguistic version of records] of the CMA imposes broader obligations to file all linguistic versions of records sent to securityholders or potential investors.

Other Updates

In addition, unless the context required otherwise, we removed the following from existing instruments:

- more than one address for service in CMR Jurisdictions so that only one address for service is required in the CMR Jurisdictions;
- effective date and coming into force provisions;
- spent transition provisions, such as “filed before x date” or “transaction occurred before x date”;
- provisions that repealed a previous version of the instrument, however we kept the title and numbering of the repealed provisions; and
- provisions that stated “[Repealed]” were replaced with “[Intentionally Blank]”, however we kept the title and numbering of the repealed provisions.

IV. CHANGES FROM NATIONAL AND MULTILATERAL INSTRUMENTS, FORMS AND POLICIES

For each national or multilateral instrument, form and policy, we note that we have made the common drafting changes referred to in Part III above. Where we concluded a further discussion would be beneficial, we provide that information.

In a number of instruments with a definition of “marketplace”, we introduced a carve-out for CMR Jurisdictions so that the CMA definition of “market place” applies. Rather than explaining this change in each of those instruments, we address it here. The definition of “market place” in the CMA differs from the definition in these instruments because it includes a person that is designated or prescribed to be a market place, and excludes a person that is designated or prescribed not to be a market place.

A. Procedure and Related Matters

1. National Policy 11-201 *Electronic Sending of Records*

We made no changes other than those described in Part III.

2. National Policy 12-202 *Revocation of a Compliance-Related Cease Trade Order*

We made the changes described in Part III, and we made the changes discussed below.

We retained a statement in the definition of “application” in Part 2 [Definitions] previously applicable only in British Columbia, which specifies that if a cease-trade order has been in effect for 90 days or less, the filing of the required continuous disclosure documents constitutes an application. Today, no other province considers the filing of these documents to be an application. We propose to follow the approach taken today in British Columbia, which requires a formal application only when a filing deficiency is not rectified within 90 days.

We added a new section 4.3 [Issuers cease-traded in a CMR Jurisdiction] to explain how under the CMA a cease-trade order issued in one CMR Jurisdiction for a failure to file a disclosure document will be effective in all CMR Jurisdictions. It also describes that a revocation of a cease-trade order in one CMR Jurisdiction is effective in all CMR Jurisdictions without requiring the issuer to take any further steps.

We replaced the statutory references in Appendix A [Section references for an application under local securities legislation] for the CMR Jurisdictions with sections 88 [Cease-trade order – non-compliance] and 173 [Powers of Chief Regulator re: decisions] of the CMA, which give the Chief Regulator the power to revoke a cease-trade order.

3. National Policy 12-203 *Cease Trade Orders for Continuous Disclosure Defaults*

We made the changes described in Part III, and we made the changes discussed below.

We added a new paragraph 1.2(b.1) [Scope of the policy], which explains how the procedures discussed in NP 12-203 are varied for issuers reporting in CMR Jurisdictions. In addition, we replaced the references in Appendix A [Statutory provisions for cease-trade orders] for the CMR Jurisdictions with sections 88 [Cease-trade order – non-compliance] and 89 [Orders of Tribunal – general] of the CMA, which provide the power to issue cease trade orders.

We also deleted references to policies published in Saskatchewan, Ontario and New Brunswick containing information relating to defaults by reporting issuers. We do not propose to carry forward these policies.

4. National Instrument 13-101 *System for Electronic Document Analysis and Retrieval (SEDAR)*

We made the changes described in Part III above, and we made the changes discussed below.

We added a new subsection 2.7(4) [Date of filing], which prescribes a filing deadline (8:00 pm Eastern time / 5:00 pm Pacific time) by which a filing will be considered to be made on that business day for all CMR Jurisdictions, for purpose of a time period in securities legislation that begins on or immediately after the date of the filing of a document.

We replaced references in Appendix A, item II.B(a)7 to British Columbia and Ontario with “CMR Jurisdiction”. This clarifies that a Management’s Discussion & Analysis must be filed in all CMR Jurisdictions.

We also deleted references to local forms or filing requirements in CMR Jurisdictions that have been repealed, that we are not carrying forward, or that will not be required as a national form exists.

5. National Instrument 14-101 *Definitions*

We made the changes described in Part III, and we made the changes discussed below.

Definitions and Interpretation

We changed the definition of “blanket rulings and orders” so that, in CMR Jurisdictions, it includes rulings and orders made with respect to derivatives. This maintains the status quo.

We added a carve-out for CMR Jurisdictions in the definition of “Canadian financial institution” so that in CMR Jurisdictions, the definition of that term in section 2 [Definitions] of the CMA applies. The definition in the CMA is broader than the NI 14-101 definition. The NI 14-101 definition does not include “cooperative credit societies”, other than the Confédération des caisses populaires et d’économie Desjardins du Québec.

We deleted the carve-out for British Columbia and New Brunswick in the definition of “dealer registration requirement”. The carve-out reflects the fact that the “trade trigger” for registration that exists in the securities acts of those jurisdictions has been replaced with a “business trigger” in subsection 22(1) [Requirement to be registered] of the CMA. Other rules in British Columbia and New Brunswick today require only a person who meets the business trigger to register, so the changes in subsection 22(1) of the CMA and this definition maintain the status quo in British Columbia and New Brunswick. We also changed the definition of “local jurisdiction” so that the term will have the same outcome in the regulations in CMR Jurisdictions as it does today.

We changed the definition of “person or company” to refer to the definition of person in section 2 [Definitions] of the CMA.

We added definitions of “business day”, “Capital Markets Act”, “CMR Jurisdiction”, “CMR launch date”, and “exchange contract” because these terms are frequently used in the other proposed regulations when discussing the CMR Jurisdictions. Before implementation, we propose to add any other defined term used in CMR Jurisdictions where it would otherwise be necessary to define the term in at least three separate regulations.

B. Certain Capital Market Participants

1. National Instrument 21-101 *Marketplace Operation* and Related Policy and Forms

We made the changes described in Part III, and we made the changes to the instrument discussed below.

Definitions

In section 1.1, we removed the Ontario false carve-out from the definition of “alternative trading system”, as the CMA does not contain a definition of “alternative trading system”.

We changed the reference to Ontario in the definition of “government debt security” to CMR Jurisdiction, so that a debt security of an Ontario school board will be a “government debt security” in CMR Jurisdictions.

We revised the definition of “information processor”, so that in CMR Jurisdictions it means any person that has been designated as an information processor under subsection 17(1) [Designation of entities] of the CMA. As a consequence, information processors that want to receive and provide information for the purposes of NI 21-101 will need to be designated entities. In addition, as designated entities, these information processors will be market participants under the CMA and subject to the requirements that apply to them. Information processors are market participants in Ontario today.

We revised the definition of “recognized quotation and trade reporting system”. The CMA does not include the concept of a recognized quotation and trade reporting system. Instead, a quotation and trade reporting system would be recognized and regulated as an exchange.

Interpretation

We deleted the British Columbia and Ontario-specific provisions in the interpretation of “security” in section 1.4, and clarified that for CMR Jurisdictions, “security” in NI 21-101 includes an option that is an exchange contract. This is necessary because exchange contracts are prescribed not to be securities in CMRA Regulation 91-501 *Derivatives and Strip Bonds*. This effectively maintains the status quo in CMR Jurisdictions. The British Columbia carve-out in subsection 1.4(1) for futures contracts was only necessary because futures contracts are included in the definition of “security” under the British Columbia *Securities Act*. The carve-out is no longer required going forward, as futures contracts are not included in the definition of “security” under the CMA.

2. National Instrument 23-101 *Trading Rules and Related Policy*

We made the changes described in Part III, and we made the change to the instrument discussed below.

We revised section 3.1 [Manipulation and fraud] so that this section does not apply in CMR Jurisdictions. Similar provisions are included in sections 62 [Market manipulation] and 63 [Unjust deprivation, fraud] of the CMA.

3. National Instrument 23-102 *Use of Client Brokerage Commissions and Related Policy*

We made the changes described in Part III, and we made the change to the instrument discussed below.

We changed subsection 1.2, which interprets “security” for the purposes of the instrument, by deleting paragraph (a) that refers to British Columbia, New Brunswick and Saskatchewan, and adding a reference to CMR Jurisdictions in paragraph (c), which states that “security” includes a derivative. This ensures that, in CMR Jurisdictions, the instrument will apply to both exchange contracts and OTC derivatives. This maintains the status quo in the CMR Jurisdictions.

4. National Instrument 23-103 *Electronic Trading and Direct Electronic Access to Marketplaces and Related Policy*

We made the changes described in Part III, and we made the change to the policy discussed below.

Consideration of Derivatives

Subsection 1.1(2) of CP 23-103 explains the scope of NI 23-103. We have deleted the references to British Columbia and Ontario, and clarified that for CMR Jurisdictions, “security” when used in NI 23-103, includes an option that is an exchange contract. This change reflects the revisions to the interpretation of “security” in NI 21-101, which are imported into NI 23-103 by operation of section 2 of that instrument. This meaning of “security” in NI 23-103 is consistent with the status quo in CMR Jurisdictions.

5. National Instrument 24-101 *Institutional Trade Matching and Settlement* and Related Policy and Forms

We made the changes described in Part III, and we made the changes to the instrument discussed below.

Definitions

We extended the Ontario carve-out in the definition of “clearing agency” to all CMR Jurisdictions. In CMR Jurisdictions, for the purposes of NI 24-101, a clearing agency means a clearing agency recognized under section 9 [Recognition of entities] of the CMA. We extended this carve-out because the CMA follows the Ontario regulatory regime for clearing agencies. The effect of this carve-out is to continue to limit the regulation of matching service utilities in NI 24-101 to entities that provide centralized facilities for matching but that are not recognized clearing agencies. This is the status quo in Ontario.

6. National Instrument 25-101 *Designated Credit Rating Organizations* and Related Forms

We made the changes described in Part III, and we made the changes to the instrument discussed below.

Credit Rating

We deleted section 4, which sets out the meaning of “credit rating” in British Columbia. It is not necessary because “credit rating” is defined in section 2 [Definitions] of the CMA.

Market Participation in Ontario

We deleted section 5, which deems a designated rating organization (DRO) affiliate to be a market participant in Ontario only. It is not necessary because we propose in subsection 2(3) of CMRA Regulation 11-501 *Definitions, Procedure, Civil Liability and Related Matters* to prescribe DRO affiliates to be market participants. As a consequence, a DRO affiliate in any CMR Jurisdiction will be subject to record keeping requirements and the Authority’s review and investigation powers under the CMA, among other obligations.

C. Registration Requirements and Related Matters

1. National Instrument 31-102 *National Registration Database* and Related Policy

We made the changes described in Part III, and we made the change to the policy discussed below.

We removed the reference to filings required to be made under OSC Rule 31-509 *National Registration Database (Commodity Futures Act)* in Part 7 of CP 31-102. It is not expected that OSC Rule 31-509 will be carried forward as part of the initial regulations as the CMA addresses registration for trading in derivatives. It is expected that the *Commodity Futures Act* (Ontario) will be proposed to be repealed, subject to the enactment and coming into force of the CMA.

2. National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations and Related Policy and Forms*

We made the changes described in Part III, and we made the changes discussed below.

National Instrument 31-103

Definitions and Interpretation

Because the registration requirement in the CMA applies to both securities and derivatives, we have revised sections 1.2 [Interpretation of “securities” in Alberta, British Columbia, New Brunswick and Saskatchewan] and 8.2 [Definition of “securities” in Alberta, British Columbia, New Brunswick and Saskatchewan] of NI 31-103 to ensure that, in CMR Jurisdictions, all derivatives are subject to the regulation. Specifically, we extended section 1.2 so that, in CMR Jurisdictions, the term “securities” is interpreted to include all derivatives. Derivatives include both OTC derivatives and exchange contracts. To achieve the outcome that the dealer registration exemptions in Division I [Exemptions from dealer registration] of Part 8 are not available for trades in exchange contracts, we also revised section 8.2, so that it excludes exchange contracts from references to “securities” in that Division. This is the status quo in British Columbia, New Brunswick and Saskatchewan.

Business trigger

We deleted references to British Columbia and New Brunswick in section 8.4 [Person or company not in the business of trading in British Columbia, Manitoba and New Brunswick], which provides an exemption from dealer registration for persons that are not in the business of trading in those jurisdictions. This exemption is necessary today to achieve the “business trigger” for dealer registration in these jurisdictions, because these jurisdictions’ securities acts currently have a “trade trigger”. It is not necessary under the CMA, which incorporates a “business trigger” in the branch of the definition of “dealer” that refers to trading in securities or derivatives. These changes maintain the status quo in British Columbia and New Brunswick.

Dealer Registration Exemption for Mortgages

We extended the carve-out from the exemption in subsection 8.12(3) [Mortgages], which currently applies in British Columbia, Alberta, Manitoba, Quebec and Saskatchewan, to all CMR Jurisdictions, for trades in a syndicated mortgage. Although all provinces and territories currently provide an exemption for trades of mortgages on real property, British Columbia and Saskatchewan do not allow its use for syndicated mortgages, which are mortgages with two or more lenders. The exclusion of syndicated mortgages from this exemption addresses concerns that syndicated mortgages are complex investment instruments and that disclosure requirements under mortgage brokerage legislation, which vary across the country, may not adequately inform investors of the risks that are associated with these investments.

Schedule III Banks and Cooperative Associations – Evidence of Deposit

We extended the carve-out for Ontario from section 8.15 to all CMR Jurisdictions. This section provides an exemption from the dealer registration requirement for trades in an evidence of deposit issued by a Schedule III bank or associations governed by the *Cooperative Credit Associations Act* (Canada). This

exemption is not necessary as the CMA excludes these deposits from the definition of “security” in section 2 [Definitions].

Notice of Agent for Service

We revised sections 8.18 [International dealer] and 8.26 [International adviser] so that a firm relying on the registration exemptions in those sections in a CMR Jurisdiction must notify the permitted client of the name and address of the agent for service of the firm in any CMR Jurisdiction. Without such a change, a firm relying on the exemption would be required to have an agent for service located in each CMR Jurisdiction in which it is relying on the exemption.

Ontario Carve-Out for Self-Directed RESPs

We deleted subparagraph 8.19(2)(a)(iii). We do not consider this Ontario exemption from the dealer registration requirement for certain trades by “financial intermediaries” in self-directed RESPs to be necessary. With the exception of co-operatives to which the *Co-operative Corporations Act* (Ontario) applies, entities that would currently qualify as a “financial intermediary” (as defined in OSC Rule 14-501 *Definitions*) would also qualify for the exemption under subparagraph 8.19(2)(a)(ii) as a “Canadian financial institution”. It is our understanding that co-operatives to which the *Co-operative Corporations Act* (Ontario) apply do not offer self-directed RESPs.

Exemptions for Exchange Contracts

We extended the exemptions in sections 8.20 [Exchange contract – Alberta, British Columbia, New Brunswick and Saskatchewan] and 8.21 [Exchange contract trades through or to a registered dealer – Alberta, British Columbia, New Brunswick and Saskatchewan], which provide dealer registration exemptions for trades in exchange contracts in these provinces, to all CMR Jurisdictions. The extension is necessary as CMR Jurisdictions are adopting the concept of exchange contracts as a transitional measure to be effective until the Authority develops a comprehensive regime for the regulation of derivatives.

Exemption for Advising Generally

Given that the generic advice exemption in section 8.25 will apply to derivatives by operation of section 1.2, we added a new subsection 8.25(1.1) which states that, in a CMR Jurisdiction, for the purposes of the exemption, references to “financial or other interest” includes, for a derivative, a material interest, financial or otherwise, in the underlying interest of the derivative. This change makes the exemption more suitable for derivatives.

Exemptions for Foreign Firms Advising in Exchange Contracts

We added a new subsection 8.26(3.1), which clarifies that the international adviser registration exemption in subsection 8.26(3) is not available to persons acting as an adviser to a permitted client in respect of an exchange contract. The exemption is not necessary as we have proposed a separate registration exemption for foreign firms advising in non-Canadian exchange contracts. See “Derivatives”, below.

Registrant Acquiring a Registered Firm's Securities or Assets

We deleted carve-outs for Ontario and British Columbia in sections 11.9 and 11.10 from the 30-day objection period following a notice of acquisition of the securities of a registered firm. Similarly, we deleted guidance in the Companion Policy about the non-application of subsections 11.9(4) and 11.10(5) to British Columbia. These carve-outs exist today because the British Columbia and Ontario securities acts, unlike the securities acts in the other jurisdictions, do not contain the rule-making power to allow the regulator to object to an acquisition in all of the circumstances set out in the provisions. This limitation does not exist in the CMA, so the carve-outs are no longer necessary.

Know Your Client – Definition of “insider”

We deleted the Ontario and New Brunswick carve-out in section 13.2, which states that for the purposes of that section “insider” has the same meaning as in the securities acts of those jurisdictions, except that “reporting issuer” is to be read as “reporting issuer or any other issuer whose securities are publicly traded”. This carve-out results from a difference in the definitions of “insider” in the existing Ontario and New Brunswick securities acts, where the definition of “insider” is limited to “reporting issuers”, while in other jurisdictions it extends to all “issuers”. This difference does not exist in the definition of “insider” in the CMA, so the carve-out is no longer necessary.

Restrictions on Certain Managed Account Transactions

We added a new subsection (3) to section 13.5, which states that, in a CMR Jurisdiction, the prohibition in the provision also applies to a related financial instrument in relation to the security described in paragraph 13.5(2)(a). This change prohibits persons from doing indirectly what they cannot do directly.

Disclosure when Recommending Related or Connected Securities

We similarly changed section 13.6 so that, in CMR Jurisdictions, the prohibition in the provision also applies to a related financial instrument in relation to the security described in subsection 13.6(1).

Companion Policy 31-103

Business Trigger

We added new guidance to section 1.3 [Fundamental concepts] of the Companion Policy about the factors to consider when evaluating whether a person is in the business of trading in derivatives in a CMR Jurisdiction. See “Derivatives-related changes to NI 31-103 – “Business trigger” for Trading in Derivatives”, below.

Exempt Market Dealer

We added guidance to section 7.1 [Dealer categories] to clarify that in a CMR Jurisdiction, exempt market dealers are prohibited from acting as a dealer by trading in an exchange contract. Under the proposed derivatives regime, only investment dealers and certain restricted dealers would be permitted to trade exchange contracts. See “Derivatives-related changes to NI 31-103 – Categories of Registration”, below.

Registration of Investment Fund Managers

We revised section 7.3 [Investment fund manager category] of the Companion Policy to reflect the fact that a CMRA Regulation will provide limited exemptions from, and guidance on, the investment fund manager registration requirement for non-resident investment fund managers. See discussion of CMRA Regulation 31-501 *Registration Requirements, Exemptions and Related Matters* below.

Filings by International Dealers and International Advisers

We revised sections 8.18 [International dealer] and 8.26 [International adviser] of the Companion Policy to clarify that a firm relying on the registration exemptions must submit to the jurisdiction of each CMR Jurisdiction in which it relies on the exemption, but that it is only required to appoint an agent for service in one CMR Jurisdiction. In addition, we clarified that only one notice of ongoing reliance on the exemption is required in CMR Jurisdictions. We added similar guidance to the top of Form 31-103F2 [Submission to Jurisdiction and Appointment of Agent for Service].

Form 31-103F1

Mortgages in the Calculation of Market Risk

We extended the current Ontario approach to the valuation of mortgages in paragraph (2)(f) of Schedule 1 to Form 31-103F1 [*Calculation of Excess Working Capital (calculating line 9 [market risk])*] to all CMR Jurisdictions. This approach treats mortgages that are insured by private insurers as more risky than those insured under the *National Housing Act* (Canada). It recognizes that, unlike mortgages that are insured privately, the government is fully liable for policies issued under the *National Housing Act*. The Ontario approach also treats mortgages that do not constitute a first charge as having no value, while the rest of Canada gives them some value. The Ontario approach is a more conservative approach to the calculation of market risk.

3. National Instrument 33-105 *Underwriting Conflicts* and Related Policy

We made only the changes described in Part III.

4. National Instrument 33-109 *Registration Information* and Related Policy and Forms

We made the changes described in Part III, and we made the changes discussed below.

National Instrument 33-109

We deleted the reference to Ontario in section 2.6 [Commodities Futures Act Registrants], which refers to registration in Ontario and Manitoba under their commodity futures legislation. It is expected that repeal of the *Commodity Futures Act* (Ontario) will be proposed, subject to the enactment and coming into force of the CMA.

Companion Policy 33-109

We deleted section 5.1 [Commodity Futures Act Submissions – Ontario] of the Companion Policy, which refers to registration in Ontario under the *Commodity Futures Act* (Ontario).

We added Part 6 [Registration and Filings in CMR Jurisdictions] to the Companion Policy to explain that registration in one CMR Jurisdiction automatically results in registration in all CMR Jurisdictions. This occurs as a result of section 178 [Decisions, etc., in other participating provinces and territories] of the CMA, which deems a decision by the Authority or the Chief Regulator under the CMA or a regulation of one participating province or territory to be a decision under the CMA or regulation of other participating provinces or territories. We also clarified that where a person is required under the instrument to make a filing in a local jurisdiction, or otherwise notify a local regulator, it may satisfy that requirement in a CMR Jurisdiction by making the filing with, or notifying, the Chief Regulator, unless otherwise specified. We also noted that such filing or notification will constitute a filing or notification in all CMR Jurisdictions to ensure, for example, that a false statement in a filing could be pursued as a contravention in each jurisdiction.

Changes in the Forms

Form 33-109F6

Submission of Business Plans

We changed Item 3.3 of Form 33-109F6 *Firm Registration* of NI 33-109 so that, regardless of which jurisdiction is identified as principal regulator, the Form will require the same related documents to be attached.

Currently, under Form 33-109F6, if Ontario is not its principal regulator, a firm applying for registration must attach its business plan, policies and procedures manual and client agreements, including any investment policy statements and investment management agreements. If Ontario is its principal regulator, the firm is only required to attach these documents if they are requested by Ontario. With the proposed revision to Item 3.3, we have eliminated the Ontario exception, so that in every case these documents would need to be attached to the Form.

Calculation of Excess Working Capital – Mortgages

We extended the current Ontario approach to the valuation of mortgages in paragraph (2)(f) of Schedule C of Form 33-109F6 [*Calculation of Excess Working Capital (calculating line 9 [market risk])*] to all CMR Jurisdictions. See discussion under Form 31-103F1 above for more information.

5. National Instrument 35-101 *Conditional Exemption from Registration for United States Broker-Dealers and Agents and Related Policy and Forms*

We made the changes described in Part III, and we made the changes discussed below.

Companion Policy 35-101

We added section 2.5 [Underwriter registration requirement in a CMR Jurisdiction] to the Companion Policy to explain that under the CMA, the underwriter registration requirement is found in subsection 22(1) [Requirement to be registered], which prohibits a person from acting as a dealer unless registered in the appropriate category. The definition of “dealer” in section 2 [Definitions] of the CMA includes someone who “acts as an underwriter”.

Changes in the Forms

We clarified in the Instructions to Form 35-101F1 *Form of Submission to Jurisdiction and Appointment of Agent for Service of Process by Broker-Dealer* and Form 35-101F2 *Form of Submission to Jurisdiction and Appointment of Agent for Service of Process by Agents of the Broker-Dealer* that a person seeking an exemption under NI 35-101 is only required to appoint one agent in any CMR Jurisdiction for service in all CMR Jurisdictions; however, the person must submit to the jurisdiction of each CMR Jurisdiction in which the exemption is being sought.

D. Distribution Requirements

1. National Instrument 41-101 *General Prospectus Requirements* and Related Policy and Forms

We made the changes described in Part III, and we made the changes discussed below.

National Instrument 41-101

Definitions

We added a carve-out for CMR Jurisdictions to the definition of “business day” in section 1.1 so that in the CMR Jurisdictions, the definition of that term in NI 14-101 *Definitions* applies.

We also added a carve-out for CMR Jurisdictions to the definition of “derivative”. This term is defined in section 2 [Definitions] of the CMA.

We removed references to British Columbia, Ontario, New Brunswick and Saskatchewan from paragraph (a) of the definition of “final prospectus notice” so that paragraph (b) applies to all CMR Jurisdictions. This reflects the fact that the CMA does not set out the types of communications a person may make relating to a final prospectus. We made corresponding changes in the related Appendix E, which lists the provisions in the British Columbia, Ontario, New Brunswick and Saskatchewan securities acts.

We added a carve-out for CMR Jurisdictions in paragraph (a) of the definition of “preliminary prospectus notice” and added a new paragraph (c), which prescribes the permitted communications relating to a preliminary prospectus for CMR Jurisdictions. This reflects the fact that the CMA does not set out the type of communications a person may make relating to a preliminary prospectus. New paragraph (c) permits the distribution of the same materials a person could distribute today under the securities acts of the CMR Jurisdictions. This maintains the status quo in the CMR Jurisdictions. We made corresponding changes in the related Appendix D, which lists the provisions in the British Columbia, Ontario, New Brunswick and Saskatchewan securities acts.

In order to maintain the status quo, we changed the definition of “predecessor personal information form” to ensure that the applicable predecessor personal information form that was in use before the CMR launch date continues to be captured by the definition.

Special Warrants/Converting Securities

Section 118 of the CMA [Actions relating to prescribed converting securities] provides purchasers with a statutory right of rescission for prescribed converting securities. As a result, we added a carve-out for

CMR Jurisdictions with regard to the contractual right of rescission for special warrants required by subsection 2.4(1) [Special warrants] of NI 41-101.

We added section 30.1.1 [Special warrants] to Form 41-101F1, and section 36.1.1 [Special Warrants] to Form 41-101F2 to describe the rights and requirements under the CMA for CMR Jurisdictions, and the required statement regarding rescission to be included in a prospectus distributing securities for the purpose of fulfilling a conversion of special warrants.

We also added a carve-out for the CMR Jurisdictions to the definition of “special warrant” and added a new definition of “special warrant” to section 1.1 [Definitions]. In CMR Jurisdictions, a “special warrant” has the same meaning as the term “converting security”, which is defined in section 14 of CMRA Regulation 11-501 *Definitions, Procedure, Civil Liability and Related Matters*. The definition catches not only any instruments or units commonly known as “special warrants” in the traditional sense, but also other convertible securities such as subscription receipts.

Reverse Take-Overs

We deleted the Ontario carve-out relating to certificates required for reverse take-overs in section 5.8.

Certificates

We extended the carve-outs in subsections 5.13(1) [Certificate of selling securityholders] and 5.15(1) [Certificate of other persons] for British Columbia and Ontario to all CMR Jurisdictions because section 32 [Requirement to provide further information, etc.] of the CMA grants the Chief Regulator power to require such certificates.

Rescission of Purchase – Continuous Distribution

Subsection 139(1) of the CMA [Rescission of purchase – continuous distribution] provides a right of rescission to a purchaser of a security under a prospectus offered in continuous distribution in circumstances where:

- the purchase is made after the prescribed period for the distribution has expired, and
- the purchaser sends, in accordance with the regulations, a notice to the seller of the securities within 90 days after becoming aware that the issuer did not comply with the prescribed conditions to continue the distribution.

As a result, we have added a carve-out for the CMR Jurisdictions with regard to the right to cancel a purchase in subsection 17.2(6) of NI 41-101.

Lapse Date Provisions

We added a carve-out for CMR Jurisdictions in subsection 17.2(7) [Refiling of prospectus], which permits the regulator, on application, to provide a further extension of time for a distribution of a security following the lapse date beyond the time periods set out in subsection 17.2(4) of NI 41-101. Section 97 [Order to extend a period] of the CMA gives the Authority the power to extend any time period in the proposed Regulations if this extension is not prejudicial to the public interest.

Appendix A

We expanded paragraph (a) of the definition of “offence” in Appendix A *Personal Information Form and Authorization of Indirect Collection, Use and Disclosure of Personal Information* to also include summary conviction or indictable offences under Part 5 [Criminal offences] of the CMSA.

Companion Policy 41-101

Derivatives

We added guidance to subsection 1.2(1) [Interrelationship with other securities legislation] to clarify that in CMR Jurisdictions, NI 41-101 applies to OTC derivatives because, in CMR Jurisdictions, OTC derivatives are being treated as securities for the purposes of the prospectus requirements until a comprehensive regulatory regime is implemented for OTC derivatives. The guidance notes that the Authority will consider applications for discretionary exemptions from the prospectus requirement on a case-by-case basis. See “Derivatives”, below.

Business day

We added guidance to subsection 1.3(2) of the Companion Policy to address the different definition of “business day” in the CMR Jurisdictions, which is in subsection 1(1) [Definitions] of CMRA Regulation 11-501 *Definitions, Procedure, Civil Liability and Related Matters*.

Certificates

We added a note to subsections 2.6(1) [Public Interest], 2.6(2) [Discretion of the regulator to request certificates], and 2.6(6) [Selling security holder certificates] regarding the Chief Regulator’s authority under section 32 [Requirement to provide further information, etc.] of the CMA to impose additional filing requirements and conditions and to require certificates on public interest grounds.

Special Warrants/Converting Securities

We added a note to subsection 2.8(3) [Contractual right of rescission] to say that in CMR Jurisdictions, there is instead a statutory right of rescission under section 118 [Actions relating to prescribed converting securities] of the CMA for prescribed converting securities.

We also added language clarifying how, in CMR Jurisdictions, the statutory right of action for damages under subsection 117(1) [Actions relating to prospectus or prescribed offering document] of the CMA applies in the context of prescribed converting securities.

QUESTION FOR COMMENT ON COMPANION POLICY 41-101CP

We are interested in receiving comments on whether the revisions to subsection 117(1) of the CMA clarify how the statutory right of action will operate.

Other Convertible Securities

We also added a note to subsection 2.9 [Offerings of convertible, exchangeable or exercisable securities] to clarify that in CMR Jurisdictions the statutory right of action for damages under subsection 117(1) of the CMA will continue to apply when other convertible securities are purchased under a prospectus and are later converted into the underlying securities.

QUESTION FOR COMMENT ON COMPANION POLICY 41-101CP

We are interested in receiving comments on whether the revisions to subsection 117(1) of the CMA clarify how the statutory right of action will operate.

Forms 41-101F1 Information Required in a Prospectus, 41-101F2 Information Required in an Investment Fund Prospectus and 41-101F3 Information Required in a Scholarship Plan Prospectus

Preliminary Prospectus Disclosure

We added an instruction in Form 41-101F1, section 1.2 Instruction, Form 41-101F2, section 1.1 Instruction, and Form 41-101F3, Part B Item 1 Instruction that clarifies that in the issuer's prospectus, the issuer must disclose that the prospectus is either filed with the Chief Regulator in all CMR Jurisdictions or in none of the CMR Jurisdictions.

Special Warrants

As discussed above for subsection 2.4(1) of NI 41-101, we added a carve-out for CMR Jurisdictions relating to the right of rescission in connection with special warrants in section 10.5 [Special warrants, etc.] of Form 41-101F1 and section 21.5 [Special Warrants] of Form 41-101F2, as well as a descriptive note setting out the rights under the CMA.

We added section 30.1.1 [Special warrants] to Form 41-101F1, and section 36.1.1 [Special Warrants] to Form 41-101F2 to set out the required statement regarding rescission to be included in a prospectus distributing securities in a CMR Jurisdiction for the purpose of fulfilling a conversion of special warrants.

2. National Policy 41-201 *Income Trusts and Other Indirect Offerings*

We made the changes described in Part III, and we made the changes discussed below.

We updated a reference to OSC Rule 41-501 *General Prospectus Requirements* so that it refers to National Instrument 41-101 *General Prospectus Requirements*, which replaced OSC Rule 41-501 in 2009.

We also added the words "and issuer's business" in section 4.4.2 [What constitutes the "business" of the income trust] of NP 41-201, as that phrase is used in the definition of "promoter" in section 2 [Definitions] of the CMA.

3. National Instrument 43-101 *Standards of Disclosure for Mineral Projects* and Related Policy and Form

We made the changes described in Part III, and we also made the change to the instrument discussed below.

We added a new definition of “self-regulatory organization” for CMR Jurisdictions in section 1.1 [Definitions], as that term is used in the definition of “professional association” in that section and is not defined in the CMA. The new definition preserves the status quo in the CMR Jurisdictions.

4. National Instrument 44-101 *Short Form Prospectus Distributions* and Related Policy and Forms

We made the changes described in Part III, and we made the changes discussed below.

National Instrument 44-101

Definition of “Canadian financial institution”

NI 44-101 and its related forms use the term “Canadian financial institution”, which is defined for CMR Jurisdictions in section 2 [Definitions] of the CMA. The definition in the CMA is broader than the definition in NI 14-101. NI 14-101 only includes Confédération des caisses populaires et d’économie Desjardins du Québec, while the CMA includes all “cooperative credit societies”.

Form 44-101F1 *Short Form Prospectus*

Preliminary Short Form Prospectus Disclosure

We added an instruction in Form 44-101F1, section 1.2 clarifying that the prospectus is either filed with the Chief Regulator in all CMR Jurisdictions or in none of the CMR Jurisdictions.

Special Warrants

As discussed above for NI 41-101, we added a carve-out in subsection 2.4(1) [Special warrants] of NI 41-101, which prohibits an issuer from filing a prospectus unless it discloses that it has provided purchasers of securities issued on the exercise of special warrants or otherwise acquired on a prospectus exempt basis with a contractual right of rescission for the warrant and the securities acquired through the exercise of the warrant. Section 118 [Actions relating to prescribed converting securities] of the CMA instead provides a statutory right of rescission. As a result of these changes, we added a carve-out in section 7.6 [Special warrants, etc.] of Form 44-101F1. We also added section 20.1.1 [Special warrants] to Form 44-101F1 to set out the required statement regarding rescission to be included in a prospectus distributing securities in a CMR Jurisdiction for the purpose of fulfilling a conversion of special warrants.

5. National Instrument 44-102 *Shelf Distributions* and Related Policy and Forms

We made only the changes described in Part III.

6. National Instrument 44-103 *Post-Receipt Pricing* and Related Policy

We made only the changes described in Part III.

7. National Instrument 45-101 *Rights Offerings* and Related Policy and Form

We made the changes described in Part III, and we made the changes discussed below.

National Instrument 45-101

Definition of “reviewing authority”

We extended the British Columbia carve-out in the definition of “reviewing authority” to all CMR Jurisdictions. Under the CMA, the Chief Regulator (the “regulator” under NI 14-101 *Definitions*) issues a receipt for a prospectus, so the extended carve-out clarifies that, in a CMR Jurisdiction, an issuer conducting a rights offering will be dealing with the Chief Regulator.

“Canadian financial institution”

NI 45-101 uses the term “Canadian financial institution”, which is defined for CMR Jurisdictions in section 2 [Definitions] of the CMA. As discussed above for NI 14-101, this definition is broader than the definition currently found in NI 14-101. The only impact this will have is to permit cooperative credit societies to hold funds in trust for best efforts offerings with a minimum subscription.

Listing representations

We added section 9.1.1, which clarifies that, in a CMR Jurisdiction, an exemption from the prohibition against making a listing representation in subsection 60(4) [Prohibited representations – Listing on an exchange] of the CMA will be evidenced by the acceptance of, or non-objection to, the circular or the issuance of a receipt for the prospectus by the reviewing authority.

Companion Policy 45-101

We deleted subsection 1.2(2) [Objection to use of prospectus exemption] of the Companion Policy, which describes when the regulator in British Columbia would generally not object to the use of the rights offering exemption where the proceeds of the rights offering are to be used to finance a reactivation. This guidance is not necessary.

8. National Instrument 45-102 *Resale of Securities* and Related Policy and Form

We are reviewing this instrument and related policy and form together with a comprehensive set of capital-raising exemptions, and will publish them in a later publication package.

9. National Instrument 45-106 *Prospectus Exemptions* and Related Policy and Forms

We are reviewing this instrument and related policy and forms, and will publish them in a subsequent publication package. Please see our commentary under “Background – Matters to be addressed after publication” for an overview.

10. National Policy 46-201 *Escrow for Initial Public Offerings* and Related Form

We made only the changes described in Part III.

11. National Policy 47-201 *Trading Securities Using the Internet and Other Electronic Means*

We made the changes described in Part III, and we made the change discussed below.

We proposed changes to section 2.3 [Trading from a jurisdiction] of NP 47-201 to extend the approach currently taken in British Columbia relating to where a distribution occurs to all CMR Jurisdictions. The result is that a person located in a CMR Jurisdiction that distributes securities through the internet entirely outside of the CMR Jurisdictions will still be considered to be trading securities in the CMR Jurisdictions and therefore subject to applicable registration and prospectus requirements in the CMR Jurisdictions. This represents a change in the status quo in Ontario.

For further information on this approach and specific questions for comment, please see the discussion on proposed CMRA Policy 71-601 *Distribution of Securities to Persons Outside CMR Jurisdictions*.

QUESTION FOR COMMENT ON NATIONAL POLICY 47-201

Although we have tried to anticipate the impact of this policy change for Ontario market participants, we seek comments on how NP 47-201 and related initial regulations may be drafted to minimize any disruption or unintended consequences to capital-raising or investing activities by those participants.

E. Ongoing Requirements for Issuers and Insiders

1. National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* and Related Policy and Forms

We made the changes described in Part III, and we made the change to the instrument discussed below.

We added a carve-out for CMR Jurisdictions in Part 7 [Other Information], which requires a reporting issuer to deliver additional information with respect to the content of a document filed under NI 51-101 upon request by the regulator. Subsection 102(2) [Order to provide information, etc.] of the CMA imposes similar requirements regarding information to be furnished on request.

2. National Instrument 51-102 *Continuous Disclosure Obligations* and Related Policy and Forms

We made the changes described in Part III, and we made the changes to the instrument discussed below.

Definitions

We added a false carve-out for CMR Jurisdictions in each of the definitions of “form of proxy”, “forward-looking information” “material change” and “proxy” in section 1.1. These terms have the same meanings as in section 2 [Definitions] of the CMA.

We similarly extended the Ontario false carve-out in paragraph (a) of the definition of “recognized exchange” in section 1.1 to all CMR Jurisdictions because that term is defined in section 2 of the CMA.

We replaced the British Columbia carve-out in the definition of “recognized quotation and trade reporting system” in section 1.1 with a carve-out for all CMR Jurisdictions. The concept of a recognized quotation and trade reporting system is not included in the CMA. Instead, in CMR Jurisdictions, a quotation and trade reporting system would be recognized and regulated as an exchange.

Material Change Reporting by Reporting Issuers

We deleted the Ontario carve-out in subsection 7.1(6) [Publication of material change], which states that in Ontario a reporting issuer must update the Ontario Securities Commission after initially filing a material change report marked confidential. The result being that, in CMR Jurisdictions, a reporting issuer can update either the Chief Regulator or the Authority. This is the same outcome as in non-participating jurisdictions.

3. Multilateral Instrument 51-105 *Issuers Quoted in the U.S. Over-the-Counter Markets and Related Policy and Forms*

MI 51-105 is in force today in all CMR Jurisdictions, except Ontario. We propose to carry forward MI 51-105 in all CMR Jurisdictions. We made the changes described in Part III, and we made the changes discussed below.

Multilateral Instrument 51-105

Definitions

We added definitions of “designated exchange” and “permitted client” in section 1. These terms are used in new subsection 18(2) [Exemption], which is discussed below.

Effective dates

Under MI 51-105 today, an over-the-counter issuer is a reporting issuer based on a factual determination on or after July 31, 2012.

To ensure that as of the CMR launch date, over-the-counter issuers in Ontario do not retroactively become reporting issuers as of July 31, 2012, we have added a carve-out in section 3 [Reporting issuer designation and determination]. In a CMR Jurisdiction, the July 31, 2012 date must be read as the CMR launch date.

Issuers that were over-the-counter reporting issuers in a CMR Jurisdiction, other than Ontario, prior to the CMR launch date will become over-the-counter reporting issuers in CMR Jurisdictions. These issuers

will not need to take any additional action than they would otherwise be required to take to comply with the requirements in MI 51-105. Ontario over-the-counter issuers should determine if MI 51-105 will apply to them as of the CMR launch date, and if so, be prepared to comply with the requirements.

To achieve harmonization across CMR Jurisdictions, we note that section 11 [Resale of seed stock] of MI 51-105 will have some retrospective effect in Ontario for certain holders of seed stock of over-the-counter issuers acquired before the CMR launch date. These holders should be prepared to comply with the requirements in section 11 of MI 51-105 as of the CMR launch date.

Exemptions

To address concerns that MI 51-105 may unnecessarily restrict certain private placements into the CMR Jurisdictions, we have integrated in section 18 the exemption in section 8 [Exemption from MI 51-105 for issuers who have securities listed on a designated exchange, whose only listed or quoted securities are non-convertible debt securities, or who distribute securities to permitted clients] of BC Instrument 51-512 *Certain Private Placements*. It provides an exemption from the provisions of MI 51-105 where the issuer's only listed or quoted securities are non-convertible debt securities, or the issuer distributes securities to permitted clients and direct promotional activities solely at permitted clients. We did not include the exemption in section 9 [Exemption from disclosure and valuation requirements in NI 33-105] into MI 51-105. See the discussion in Part V for an explanation about this provision.

Companion Policy 51-105

We deleted the Ontario carve-outs as to application and implementation in sections 1 [Introduction] and 3 [Reporting issuer designation and determination] of the Companion Policy.

We added new guidance to section 3 to clarify that, by operation of paragraph (c.1) of the definition of "reporting issuer" in the CMA, an OTC issuer that becomes a reporting issuer in one CMR Jurisdiction becomes a reporting issuer in every other CMR Jurisdiction, whether or not it would otherwise meet any of the connecting factors in section 3 of MI 51-105 in other CMR Jurisdictions.

We updated the references to "BC Instrument 11-502 *Voluntary Surrender of Status*" in section 4 [Ceasing to be an OTC reporting issuer] with a reference to section 7 [Voluntary surrender of reporting issuer status] of CMRA Regulation 11-501 *Definitions, Procedures, Civil Liability and Related Matters*, which contains equivalent provisions.

We deleted the reference to "British Columbia Instrument 71-503 *Material Change Reporting by OTC Reporting Issuers*" in section 5 [Additional disclosure requirements] of the Companion Policy, as this Instrument has been revoked and similar content is already included in MI 51-105.

Form 51-105F3A

We expanded paragraph (a) of the definition of "offence" in the current Form 51-105F3A *Personal Information Form and Authorization of Indirect Collection, Use and Disclosure of Personal Information* to also include summary convictions or indictable offences under Part 5 [Criminal offences] of the CMA.

4. National Policy 51-201 *Disclosure Standards*

We made the changes described in Part III, and we made the changes discussed below.

Footnote 10

We deleted footnote 10, which refers to subsection 76(6) of the Ontario *Securities Act* and clarifies that for purposes of the prohibition against illegal insider trading, a security of a reporting issuer is deemed to include a security, the market price of which varies materially with the market price of the securities of the issuer. We removed this footnote because this is now captured within the definition of “related financial instrument” in section 2 [Definitions] of the CMA.

Footnote 38

We deleted the reference to “OSC Rule 52-501 *Financial Statements*” in footnote 38. This rule has been revoked because its subject matter is now addressed by NI 51-102.

5. National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* and Related Policy

We made the changes described in Part III, and we made the changes to the instrument discussed below.

Definitions

We extended the Ontario false carve-out in the definition of “recognized exchange” in section 1.1 to all CMR Jurisdictions because that term is defined in section 2 [Definitions] of the CMA.

We extended the British Columbia carve-out in the definition of “recognized quotation and trade reporting system” in section 1.1 to all CMR Jurisdictions. The concept of a recognized quotation and trade reporting system is not included in the CMA. Instead, in CMR Jurisdictions, a quotation and trade reporting system would be recognized and regulated as an exchange.

Acquisition Statements

We deleted the Ontario carve-outs in the definition of “acquisition statement” in section 1.1, and subparagraphs 2.1(2)(c)(ii), 2.1(2)(d)(iii), 2.1(2)(f)(iii) and 2.1(2)(g)(iii) [Application] for certain types of financial statements prepared in connection with an NI 45-106 offering memorandum.

6. National Instrument 52-108 *Auditor Oversight*

We made only the changes described in Part III.

7. National Instrument 52-109 *Certification of Disclosure in Issuers’ Annual and Interim Filings* and Related Policy and Forms

We made only the changes described in Part III.

8. National Instrument 52-110 *Audit Committees* and Related Policy and Forms

We made only the changes described in Part III.

9. National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* and Related Policy and Forms

We made only the changes described in Part III.

10. National Instrument 55-102 *System for Electronic Disclosure by Insiders (SEDI)* and Related Policy and Forms

We made the changes described in Part III, and we made the changes discussed below.

National Instrument 55-102

Definition of “transfer report”

We deleted the reference to “Saskatchewan”, “Ontario”, “New Brunswick”, “Prince Edward Island” and “Yukon” in paragraph (a) of the definition of “transfer report” in section 1.1 because it relates to the requirement in the securities acts of those jurisdictions to file a transfer report. The CMA does not require the filing of a transfer report. As a result, we also deleted the reference to “Saskatchewan”, “Ontario”, “New Brunswick”, “Prince Edward Island” and “Yukon” in subsection 3.2(1) [Filing of transfer reports in paper format], regarding filing transfer reports in paper format.

Companion Policy 55-102

Public Availability of SEDI Information

We added carve-outs for CMR Jurisdictions in section 1.1 of Part 1 of the Companion Policy. Section 1.1 describes the legislative test provincial securities regulators apply in determining when information required to be filed must be made public. Section 1.1 has been revised in order to reflect the test the Authority will apply in determining when information required to be filed must be made public.

Form 55-102F1

Language Requirements

We deleted the reference to “Ontario” in the second paragraph of section 7 [Correspondence in English or French] of Form 55-102F1 *Insider Profile*, which provides that an insider may choose to receive correspondence in French from provincial securities regulators in Manitoba or Ontario. We replaced the reference to “New Brunswick” with “a CMR Jurisdiction” in the third paragraph of section 7 of Form 55-102F1 *Insider Profile*, which provides that an insider may choose to receive any correspondence from the New Brunswick securities regulatory authority in French or English.

Form 55-102F6

Language Requirements

We replaced the reference to “Ontario” and “New Brunswick” with “a CMR Jurisdiction” in the first part of the instructions box of current Form 55-102F6 *Insider Report*, to reflect the availability of insider reports in English and French in a CMR Jurisdiction.

11. National Instrument 55-104 *Insider Reporting Requirements and Exemptions and Related Policy*

We made the changes described in Part III, and we made the changes discussed below.

National Instrument 55-104

Definitions

We expanded the carve-outs in the definition of “derivative” in section 1.1 to all CMR Jurisdictions because this term is defined in section 2 [Definitions] of the CMA. We note that the definition in the CMA is potentially broader than the definition in NI 55-104 because the CMA permits the Authority to designate or prescribe something to be a derivative or not to be a derivative.

We deleted the Ontario false carve-out in paragraph (a) of the definition of “economic exposure” in section 1.1 and deleted paragraph (b) of the definition because unlike the Ontario *Securities Act*, the CMA does not define the term.

We replaced the carve-outs in the definition of “economic interest” in section 1.1 with a carve-out for all CMR Jurisdictions. The term “economic interest” is used only in the definition “related financial instrument” in NI 55-104. We included a note explaining that in a CMR Jurisdiction, the term “economic interest” in a security has been incorporated into the definition of “related financial instrument” in section 2 [Definitions] of the CMA.

“Related financial instrument” is defined in the CMA and we define the term “exchange contract” in NI 14-101 *Definitions*. We therefore changed the definitions of “exchange contract” and “related financial instrument” in section 1.1 so that in a CMR Jurisdiction, “exchange contract” and “related financial instrument” have those meanings.

Application

We deleted the provisions in Part 2, which clarify that sections 3.2 [Initial report] and 3.3 [Subsequent report] of NI 55-104 do not apply in Ontario. Although the main insider reporting requirements set out in Part XXI [Insider trading and self-dealing] of the Ontario *Securities Act* have not been included in the CMA, the requirements for insider reporting provided in NI 55-104 and in the Ontario *Securities Act* are harmonized. In the CMR Jurisdictions, the insider reporting requirements in NI 55-104 will apply and so Part 2 of NI 55-104 is unnecessary. As a result, we also deleted footnote 1 and section 2.1 [Application in Ontario] of the Companion Policy.

Companion Policy 55-104

Beneficial Ownership

We deleted the reference in subsection 3.2(3) [Post-conversion beneficial ownership] of NI 55-104 to “and in Ontario, subsection 90(1) of the Ontario Act”, which provision determines beneficial ownership for purposes of Part XX [Take-over bids and issuer bids] of the Ontario *Securities Act*. The CMA does not include a similar provision, but an equivalent provision is found in MI 62-104, which is proposed to be adopted by CMR Jurisdictions.

12. National Instrument 58-101 Disclosure of Corporate Governance Practices and Related Forms

We made the changes described in Part III, and we made the change to the form discussed below.

We revised Form 58-101F1 so that recent amendments in some CSA jurisdictions regarding women on boards and director term limits apply in all CMR Jurisdictions.

13. National Policy 58-201 Corporate Governance Guidelines

We did not make any changes.

F. Take-Over Bids and Special Transactions

1. Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions and Related Policy

Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* and its related policy are in force today in Ontario and Québec. However, they have been incorporated into Policy 5.9 of the TSX Venture Exchange Corporate Finance Manual, which applies to all issuers listed on that exchange. We propose to carry forward MI 61-101 in CMR Jurisdictions.

We made the changes described in Part III, and we made the changes discussed below.

Multilateral Instrument 61-101

Deletion of Unnecessary Provisions

We removed references in MI 61-101 and the Companion Policy to the Ontario *Securities Act*, the *Business Corporations Act* (Ontario) and OSC Rule 62-504 *Take-Over Bids and Issuer Bids*. We also deleted paragraph 1.6(2)(a) [Beneficial ownership] of MI 61-101, which interprets “beneficial ownership” in Ontario for the purposes of the instrument. Going forward, CMR Jurisdictions will rely on the interpretation in MI 62-104 *Take-Over Bids and Issuer Bids*.

Ontario Exemption for Issuers Governed by the Business Corporations Act (Ontario)

We expanded the application of section 4.7 [Conditions for relief from *Business Corporations Act* requirements] to any issuer in a CMR Jurisdiction that is incorporated under the *Business Corporations Act* (Ontario). This section provides relief from provisions that apply to going private transactions in

certain circumstances, including where an issuer has complied with the requirements applicable to business combinations in Part 4 of MI 61-101.

We deleted the reference in paragraph 5.1(i) [Application] of MI 61-101 to Part IX of the *Loan and Trust Corporations Act* (Ontario), as Part IX has been repealed.

Companion Policy 61-101

We removed references to forms made under OSC Rule 62-504 *Take-Over Bids and Issuer Bids*. Market participants will use the forms under MI 62-104 *Take-Over Bids and Issuer Bids*.

2. National Instrument 62-103 *The Early Warning System and Related Take-Over Bid and Insider Reporting Issues* and Related Forms

We made the changes described in Part III, and we made the changes to the instrument discussed below.

We revised Appendix A of NI 62-103 so that CMR Jurisdictions will rely on paragraph (c) of the definition of “distribution” in section 2 [Definitions] of the CMA to interpret control block distribution.

We revised Appendix D [Beneficial ownership] so that CMR Jurisdictions will rely on section 5 [Beneficial ownership] of the CMA and sections 1.8 [Deemed beneficial ownership] and 1.9 [Acting jointly or in concert] of MI 62-104 to interpret beneficial ownership.

3. Multilateral Instrument 62-104 *Take-Over Bids and Issuer Bids* and Related Policy and Forms

MI 62-104 is in force today in CMR Jurisdictions, except Ontario. We propose to carry forward MI 62-104 in all CMR Jurisdictions. We made the changes described in Part III, and we made the change to the instrument discussed below.

We added a new subsection (1.1) to section 4.8 [Normal course issuer bid exemptions], which means that, in CMR Jurisdictions, the term “designated exchange” also includes Aequitas NEO Exchange for this section. Non-participating jurisdictions have issued orders so that Aequitas NEO Exchange is a designated exchange as contemplated in section 4.8.

4. National Policy 62-202 *Take-Over Bids – Defensive Tactics*

We made only the changes described in Part III.

5. National Policy 62-203 *Take-Over Bids and Issuer Bids*

We made the changes described in Part III, and we made the changes discussed below.

Ontario Exemption

We revised section 1.1 [Introduction] to delete false carve-out references to Ontario equivalent provisions in take-over bid legislation.

Saskatchewan Exemption

We deleted section 2.9, which provides that Saskatchewan is not included in subsection 1.2(1) of MI 62-104 because the definitions of “offer to acquire” and “offeror” are in the regulations to the *Saskatchewan Securities Act*.

G. Securities Transactions with Persons Outside the Jurisdiction

1. National Instrument 71-101 *The Multijurisdictional Disclosure System* and Related Policy and Forms

We made the changes described in Part III, and we made the changes discussed below.

National Instrument 71-101

References to national instruments

We updated references to national instruments in section 11.3 [Other prospectus requirements] to reflect the current names in order to give certainty to filers that they are exempt from the current versions of those national instruments.

Companion Policy 71-101

Although NI 71-101 applies to “northbound” offerings by U.S. issuers under the Multijurisdictional Disclosure System (MJDS), Part 4 of CP 71-101 provides guidance on “southbound” offerings by Canadian issuers under the U.S. MJDS.

U.S. trust indenture exemption

We revised section 4.1 of CP 71-101 to add a reference to the trust indenture provisions in section 7 [Trust indentures] of CMRA Regulation 41-501 *Prospectus Requirements and Exemptions*, which will apply in all CMR Jurisdictions, and will be proposed to replace corporate trust indenture provisions in CMR Jurisdictions.

For more information, see the discussion on section 7 of CMRA Regulation 41-501.

Prospectus filing in Canada for a southbound MJDS offering

We also changed sections 4.2 and 4.3 of CP 71-101 regarding the interpretation of distribution to eliminate current differences between British Columbia and the other CMR Jurisdictions. We adopted the British Columbia approach so that, in a CMR Jurisdiction, a distribution by an issuer in CMR Jurisdiction to purchasers in the United States would be regarded as a distribution for the purposes of the CMA. This represents a change in the status quo in Ontario. For further information on this approach and specific questions for comment, see the discussion on CMRA Policy 71-601 *Distribution of Securities to Persons Outside CMR Jurisdictions*.

2. National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* and Related Policy

We made the changes described in Part III, and we made the changes to the instrument discussed below.

Definitions

We extended the Ontario false carve-out in the definition of “recognized exchange” to all CMR Jurisdictions, as the CMA includes a definition of “recognized exchange”.

We extended the British Columbia carve-out in the definition of “recognized quotation and trade reporting system” in section 1.1 to all CMR Jurisdictions. The concept of a recognized quotation and trade reporting system is not included in the CMA. Instead, in CMR Jurisdictions, a quotation and trade reporting system would be recognized and regulated as an exchange.

H. Investment Funds

1. National Instrument 81-101 *Mutual Fund Prospectus Disclosure* and Related Policy and Forms

We made the changes described in Part III, and we also made the changes discussed below.

National Instrument 81-101

Definitions

We revised the definition of “statutory right of action” in section 1.1 so that all CMR Jurisdictions will follow the approach currently taken in some CMR Jurisdictions. The definition will refer to the statutory rights of action provided in section 128 [Liability of trader, offeror or issuer] of the CMA.

We revised the definition of “statutory right of withdrawal” in section 1.1 by removing the references to some CMR Jurisdictions’ equivalent provisions to section 138 [Rescission of purchase – prospectus or prescribed offering document] of the CMA.

Rescission of Purchase – Continuous Distribution

Subsection 139(1) of the CMA [Rescission of purchase – continuous distribution] provides a right of rescission to a purchaser of a security under a prospectus offered in continuous distribution in circumstances where:

- the purchase is made after the prescribed period for the distribution has expired, and
- the purchaser sends, in accordance with the regulations, a notice to the seller of the securities within 90 days after becoming aware that the issuer did not comply with the prescribed conditions to continue the distribution.

As a result, we have added a carve-out for the CMR Jurisdictions with regard to the right to cancel a purchase in subsection 2.5(6) of NI 81-101.

Lapse Date Provisions

We added a carve-out for CMR Jurisdictions in subsection 2.5(7), which permits the regulator, on application, to provide a further extension of time for a distribution of a security following the lapse date beyond the time periods set out in subsection 2.5(4) of NI 81-101. Section 97 [Order to extend a period] of the CMA gives the Authority the power to extend any time period in the proposed Regulations if this extension is not prejudicial to the public interest.

Fund Facts Document – Prescribed Disclosure Document

We replaced the Ontario-only provision in subsection 3.2(2.3) [Delivery of Preliminary Simplified Prospectus and Simplified Prospectus] prescribing a fund facts document to be a disclosure document for the purposes of subsection 71(1) [Obligation to deliver prospectus] of the Ontario *Securities Act* with a provision for CMR Jurisdictions. For CMR Jurisdictions, this provision prescribes a fund facts document to be a prescribed disclosure document under paragraph 37(1)(c) [Obligation to send prospectus, etc.] of the CMA.

Fund Facts Document – Purchaser’s Rights

Section 3.2.1 provides a purchaser with a similar right of withdrawal for a fund facts document that was delivered or sent, as for a prospectus under securities legislation. We extended the Ontario carve-out in subsection 3.2.1(3) to all CMR Jurisdictions. This carve-out refers to section 139 [Rescission of purchase – continuous distribution] of the CMA and subsection 18(2) [Written notice] of CMRA Regulation 11-501 *Definitions, Procedure, Civil Liability and Related Matters*, which contain the similar right of withdrawal for CMR Jurisdictions.

Similarly, section 3.2.2 provides a right of action to a purchaser for failure to receive a fund facts document. We deleted the Ontario carve-out in subsection 3.2.2(3) because all CMR Jurisdictions will follow the approach currently taken in some CMR Jurisdictions, as discussed above. We revised subsection 3.2.2(1) so that, in a CMR Jurisdiction, a fund facts document is a prescribed disclosure document under the statutory right of action.

2. National Instrument 81-102 *Investment Funds* and Related Policy

We made the changes described in Part III, and we made the changes discussed below.

National Instrument 81-102

“Contractual Plans”

We added a new definition of “contractual plan” in section 1.1 for CMR Jurisdictions that is consistent with the current definition of that term in the British Columbia *Securities Act*.

To ensure that the provision has the same effect as in non-participating jurisdictions, we added a new subsection (2) to section 8.1 [Contractual plans] so that no new contractual plans could be established after CMR launch date in CMR Jurisdictions.

Application

We deleted subsection 1.2(4) that provided that if a provision in NI 81-102 conflicts with a provision in the *Employee Investment Act* (British Columbia) or the *Small Business Venture Capital Act* (British Columbia), the provisions in those acts prevail. If there is a conflict, following the practice in Saskatchewan today, an application for discretionary relief can be made to the Authority. Removing this provision is consistent with the approach Ontario is taking in its treatment of labour-sponsored funds as we discuss in Part V for Ontario Securities Regulation 1015, Part 14. It is appropriate for our investment fund regime to apply to these types of funds, which are sold to the same investors as other mutual funds.

Appendix D Investment Fund Conflict of Interest Investment Restrictions

We deleted references to local provisions in some CMR Jurisdictions and replaced them with a reference for all CMR Jurisdictions to section 6 [Investments of investment funds] of CMRA Regulation 81-501 *Investment Funds*, which contains similar provisions.

Appendix E Investment Fund Conflict of Interest Reporting Requirements

We deleted references to local provisions in some CMR Jurisdictions that are not being carried forward.

Companion Policy 81-102

We replaced the reference to “British Columbia” with “a CMR Jurisdiction” in section 2.17 [“standardized future”] to reflect that when reading the definition of “standardized future” in NI 81-102, it will include instruments that meet the definition of “exchange contract” for CMR Jurisdictions in NI 14-101 *Definitions*.

We deleted paragraph 4 of section 4.2 [Registration matters] of the Companion Policy, which described requirements in Ontario for non-resident sub-advisers and their obligations under the *Commodity Futures Act* (Ontario). Going forward, under the CMA, non-resident sub-advisers should consider the registration requirements and exemptions provided for in NI 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

3. National Instrument 81-104 *Commodity Pools* and Related Policy

We made only the changes described in Part III.

4. National Instrument 81-105 *Mutual Fund Sales Practices* and Related Policy

We made only the changes described in Part III.

5. National Instrument 81-106 *Investment Fund Continuous Disclosure* and Related Policy and Form

We made the changes described in Part III, and we made the changes discussed below.

National Instrument 81-106

Definitions

“EVCC” and “VCC”

We deleted the definitions in section 1.1 of “EVCC” (employee venture capital corporation) and “VCC” (venture capital corporation), which are entities that are unique to British Columbia. We similarly removed all references to them in the instrument. These entities will be designated as non-redeemable investment funds for the CMR launch. This will maintain the status quo for these funds in British Columbia. Where possible, we have removed references to local legislation, such as the legislation referred to in these definitions, in order to achieve a uniform outcome for CMR Jurisdictions. Removing these definitions helps us achieve that outcome.

“Investment fund”, “material change” and “non-redeemable investment fund”

We added a false carve-out for CMR Jurisdictions in the definitions of “investment fund”, and “material change” and a carve-out in the definition of “non-redeemable investment fund” in section 1.1, as these terms are defined in section 2 [Definitions] of the CMA. We note that the definition of “non-redeemable investment fund” in the CMA is different than the definition in NI 81-106 because it would capture an issuer that was designated or prescribed by the Authority to be a non-redeemable investment fund.

“Private mutual fund”

We added a new definition of “private mutual fund” for CMR Jurisdictions in section 1.1. This term is used in the definition of “mutual fund in the jurisdiction”.

Application of National Instrument 81-106 and Periodic and Timely Disclosure

Today, under section 1.2, NI 81-106 applies to all investment funds that are reporting issuers. Also in section 1.2, NI 81-106 applies to a mutual fund that is not a reporting issuer, except in British Columbia and some non-participating jurisdictions.

We deleted the carve-out for British Columbia in subsection 1.2(2) so that in all CMR Jurisdictions NI 81-106 applies to all mutual funds.

Companion Policy 81-106

We updated subsection 1.2(4) [Application] of the Companion Policy, which discusses whether labour sponsored funds and venture capital funds are mutual funds to remove examples that refer to British Columbia and Ontario.

6. National Instrument 81-107 *Independent Review Committee for Investment Funds* and Related Policy

We made the changes described in Part III, and we also made the changes discussed below.

National Instrument 81-107

Definition of Manager

We added a carve-out for CMR Jurisdictions from the definition of “manager” in section 1.6 and included a new subsection (2) that provides that “manager” means an “investment fund manager” as defined in the CMA in CMR Jurisdictions. The definition of “investment fund manager” in the CMA includes a person who directs the business, operations or affairs of an investment fund from outside a province or territory who knows or reasonably ought to know the investment fund has a securityholder resident in the province or territory.

Manager Standard of Care

We added a false carve-out for CMR Jurisdictions in section 2.1. Section 56 [Duty to investment fund] of the CMA imposes a similar standard of care for investment fund managers.

Appendix A Conflict of Interest or Self-Dealing Provisions

We deleted the references in the self-dealing table in Appendix A to local provisions in some CMR Jurisdictions and replaced them with a reference for all CMR Jurisdictions to Part 1 [Self-Dealing] of CMRA Regulation 81-501 *Investment Funds*, which contains equivalent provisions.

Appendix B Inter-fund Self-Dealing Conflict of Interest Provisions

We also deleted the references to provisions in CMR Jurisdictions’ legislation in Appendix B and specified that, in CMR Jurisdictions, the relevant provision is paragraph 13.5(2)(b) [Restrictions on certain managed account transactions] of NI 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

7. National Policy 15 *Conditions Precedent to Acceptance of Scholarship or Educational Plan Prospectuses*

We are not carrying NP 15 forward under the CMA.

8. National Policy 29 *Mutual Funds Investing in Mortgages*

We made no changes to NP 29.

V. SUMMARY OF CMRA REGULATIONS

We reviewed all of the local rules in the CMR Jurisdictions effective on March 2, 2015 and considered whether they should be carried forward. We will also monitor any proposals for new local rules that a CMR Jurisdiction publishes for comment or adopts prior to the CMR launch date.

Most local rules we propose to carry forward will be in new CMRA Regulations and Policies discussed below. In order to help market participants understand how the existing regime and the new regime differ, we discuss some of the rules we propose not to carry forward.

Since the CMA provides a platform approach to capital markets regulation, a number of detailed provisions in existing securities acts were not included in the CMA. We reviewed provisions of current securities acts in the CMR Jurisdictions that have not been carried forward to consider whether the substance of those provisions should be incorporated into the new regime. Where they did, we proposed a provision in a new CMRA Regulation.

Below is a discussion of the proposed new CMRA Regulations and Policies. Where we relied on an existing provision, we made drafting changes to fit with the CMA and to reflect drafting conventions, following the drafting changes discussed in Part III, above. In some cases we needed to make other changes to achieve a uniform outcome in CMR Jurisdictions. Those changes are discussed below.

For each new CMRA Regulation, we have included corresponding appendices that:

- set out the primary source of a new CMRA Regulation
- describe whether a local rule in that subject area is being carried forward and, if so, where it is located.

A. Definitions, Procedure, Civil Liability and Related Matters

1. *CMRA Regulation 11-501 Definitions, Procedure, Civil Liability and Related Matters* and related Policy

CMRA Regulation 11-501 and its Companion Policy contain requirements and guidance relating to definitions, procedure, civil liability and related matters that apply in the CMR Jurisdictions. Appendix A provides a table of concordance for CMRA Regulation 11-501 indicating the primary local rules on which each section of this regulation is based. Appendices B and C list the existing local procedure and civil liability provisions in the CMR Jurisdictions and note whether they are carried forward.

Part 1 Definitions and Interpretation

Part 1 contains definitions and interpretation of terms used in the CMA and in initial regulations. Part 1 of the Companion Policy provides corresponding guidance.

Definitions

Subsection 1(1) defines the terms “business day” and “solicit”, which are used, but are not defined, in the CMA. The definitions apply for both the CMA and the initial regulations. The definition of “business day” refers to the CMRA only definition in NI 14-101 *Definitions* while the definition of “solicit” refers to the definition in NI 51-102 *Continuous Disclosure Obligations*.

Subsection 1(1) also defines the term “private mutual fund” by referring to the new CMRA-only definition of “private mutual fund” in NI 81-106 *Investment Fund Continuous Disclosure*. The NI 81-106 definition is the same as the existing British Columbia and Ontario securities acts definitions.

Subsection 1(2) defines terms that are used in more than one initial regulation. It includes definitions of “Act” (meaning the *Capital Markets Act*) and “OTC derivative” (see discussion on derivatives, below).

Subsection 1(3) provides that a term defined in NI 14-101 will have that meaning when used in a new CMRA Regulation.

Although the terms “jurisdiction” and “jurisdiction of Canada” appear in the consultation draft of the CMRA Regulations, it is proposed that these terms be reconciled with the terminology in the CMA, which uses “province or territory of Canada”.

Person prescribed not to be a clearing agency

Section 2 prescribes certain entities not to be clearing agencies for the purposes of the definition of “clearing agency” in section 2 [Definitions] of the CMA. This provision preserves the status quo in Ontario because these entities are currently excluded from the definition of “clearing agency” in the Ontario *Securities Act*.

Person prescribed to be a market participant

Section 3 prescribes a designated rating organization (DRO) affiliate (as defined in NI 25-101 *Designated Ratings Organizations*) to be a market participant under paragraph (s) of the definition of “market participant” in section 2 of the CMA. This provision will replace section 5 [Market participant] of NI 25-101, which now deems DRO affiliates to be market participants in Ontario only.

Person prescribed not to be a market place

Section 4 prescribes an inter-dealer bond broker (as defined in NI 21-101 *Marketplace Operation*) not to be a market place for the purposes of the definition of “market place” in section 2 of the CMA. This provision preserves the status quo in CMR Jurisdictions because inter-dealer bond brokers are currently excluded from the definition of “marketplace” in NI 21-101 and in the Ontario *Securities Act*.

Person prescribed to be a reporting issuer

Section 5 prescribes issuers with securities listed and posted for trading on any recognized exchange on or after the CMR launch date to be “reporting issuers” under paragraph (e) of the definition of “reporting issuer” in section 2 of the CMA. This maintains the status quo in British Columbia, New Brunswick, Ontario and Saskatchewan.

When combined with paragraph (c.1) of that definition (which includes a reporting issuer under the CMA of another CMR Jurisdiction) and transition provisions in the CMA, the impact of section 5 of CMRA Regulation 11-501 is that issuers that are reporting issuers in any CMR Jurisdiction immediately prior to the CMR launch date will continue as reporting issuers in all CMR Jurisdictions. Further, issuers that are listed and posted for trading on a recognized exchange on or after the CMR launch date will become reporting issuers in all CMR Jurisdictions.

Persons prescribed for the purposes of the record-keeping requirements

As discussed in the commentary for the CMA, the CMA will permit the Authority to make regulations exempting market participants from the record-keeping requirements in section 54 [Requirement to keep records] of the CMA. Although not included at this time in CMRA Regulation 11-501, we propose

to add a provision to this Regulation prescribing the following persons for the purposes of subsection 54(1.1) of the CMA so that certain record-keeping requirements will not apply to these persons:

- a control person of a reporting issuer
- a person (other than a reporting issuer) distributing securities in reliance on a prospectus exemption along with its directors, officers, control persons or promoters
- a person providing record keeping services to a registrant
- a general partner of any of the above persons.

Part 2 Procedures

Disclosure of securities beneficially owned

Section 6 explains what constitutes sufficient disclosure of beneficial ownership when the disclosure is required under or by virtue of certain provisions of the CMA or the new CMRA Regulations. This provision is based on section 4 [Disclosure of securities beneficially owned] of the British Columbia *Securities Rules*. Ontario and Saskatchewan have similar requirements.

Subsection 6(3) carries forward the current British Columbia limitation that the rule does not apply to insider reporting obligations under NI 55-104 *Insider Reporting Requirements and Exemptions*. This provision is new in other CMR Jurisdictions. The outcome is that NI 55-104 will provide a comprehensive account of the disclosure of beneficial ownership that is required in that context.

Subsection 6(4) carries forward a provision in OSC Rule 11-501 *Electronic Delivery of Documents* that a company is deemed to be another company's parent company if the other company is its subsidiary. This provision is new in other CMR Jurisdictions.

Voluntary surrender of reporting issuer status

We are carrying forward BC Instrument 11-502 *Voluntary Surrender of Reporting Issuer Status* in section 7. This allows a reporting issuer, other than an OTC reporting issuer, with no more than 50 beneficial owners to voluntarily surrender its reporting issuer status. This is new to all CMR Jurisdictions other than British Columbia.

Electronic delivery of documents

Section 8 makes electronic filing mandatory for "required documents", as defined in subsection 8(1). It is based on OSC Rule 11-501 *Electronic Delivery of Documents*. The required documents include the forms, notices and other materials required under national instruments and local rules that are not covered already by SEDAR, SEDI or NRD. This is a change in other CMR Jurisdictions.

We deleted references to the "*Business Corporations Act* (Ontario) (OBCA), s. 46(4)" in Appendix A since that provision relates to the trust indenture provisions in Part V [Indenture trustees] of the OBCA. We propose to relocate the trust indenture provisions in the OBCA to Part 3 [Trust indentures] of CMRA Regulation 41-501 *Prospectus Requirements and Exemptions*. See discussion below.

Finally, we added references to any other documents required to be filed with or delivered to the Chief Regulator or the Authority under the CMA or the initial regulations.

Execution and certification of documents

Section 9 imposes execution and certification requirements for documents that are required or permitted to be filed. Section 9 applies “except as otherwise provided in capital markets laws” (for example, NI 13-101 *System for Electronic Document Analysis and Retrieval (SEDAR)* and NI 55-102 *System for Electronic Disclosure by Insiders (SEDI)* have specific requirements for electronic filings on SEDAR and SEDI, respectively). Section 9 is based on section 189 [Execution and certification of documents] of the British Columbia *Securities Rules*. This is not a change to the status quo in British Columbia, Ontario or Saskatchewan.

We did not carry forward the requirement in the British Columbia rule that electronically filed documents that are required to be signed or certified have a typewritten signature.

The Ontario and Saskatchewan rules allow the Director to permit agents or attorneys to file the records without a power of attorney. We did not incorporate this provision into CMRA Regulation 11-501 because under section 94 [Exemption orders] of the CMA, the Authority could provide an exemption from any provision that required an agent or attorney to produce their power of attorney in order to file a record.

Section 190 [Execution and certification of SEDI documents] of the British Columbia *Securities Rules* exempts a filing of SEDI documents made under NI 55-102 from section 189 [Execution and certification of documents] of the British Columbia *Securities Rules*. The Ontario rule includes a similar exemption. We do not propose to carry forward this exemption since section 9 applies “except as otherwise provided in capital markets law”. NI 55-102 imposes requirements that describe how a filing must be made and executed on SEDI.

Part 3 Administration and Enforcement

Reactivation of dormant issuer and Reactivation of dormant derivative

Subsection 88(3) [Revocation of order] of the CMA requires the Chief Regulator to revoke an order that a person cease trading in or acquiring a security or derivative as soon as practicable after the records required to be filed under capital markets laws have been filed. In order to supplement the CMA, sections 10 and 11 of CMRA Regulation 11-501 impose the obligation to file, concurrently with filing of the record referred to in the cease trade order, additional records as may be considered necessary by the Chief Regulator. These provisions are based on sections 186 [Reactivation of dormant issuer] and 187 [Reactivation of exchange contract] of the British Columbia *Securities Rules*.

In section 11, we also refer to “derivative or the underlying interest of the derivative” rather than exchange contract as in section 187 of the British Columbia *Securities Rules* because subsection 88(2) [Derivatives] of the CMA applies to all derivatives and their underlying interests.

Finally, since the definition of “record” in the CMA includes “anything containing information, regardless of its form or characteristics”, we did not need to refer to “information” as the British Columbia rule does.

Profit made and loss avoided

Section 12 interprets the terms “profit made” and “loss avoided” for the purposes of subsection 115(3) [Calculating profit made or loss avoided] of the CMA when calculating fines for insider trading (section 66 [Insider trading]) and front-running (section 67 [Front-running]) under the CMA. The interpretations are based on section 187.1 [Calculation of profit] of the British Columbia *Securities Rules*, which sets out a detailed formula to determine “profit” for the purpose of calculating insider trading, tipping, recommending and front running fines. The added detail in section 187.1 is necessary to provide an appropriate limit on the fine for each type of offence, both of which are covered by section 115 [Increased fines for specified contraventions] of the CMA. The formulas in section 187.1 are also consistent with the damages provisions in Part 13 [Civil liability for secondary market disclosure] of the CMA.

British Columbia does not use the term “loss avoided” in its fine provision. It uses the term “profit” to describe both an actual gain and a notional gain that is a loss avoided. Subsection 12(2) of CMRA Regulation 11-501 calculates “loss avoided” by replicating those aspects of section 187.1 of the British Columbia *Securities Rules* which reference a non-profit “gain”.

Ontario and Saskatchewan take a somewhat different and less detailed approach today in their securities acts. We did not carry forward their approach because it is inconsistent with the damages provisions in Part 13 of the CMA.

We also clarified that the formula is to be used to calculate profit and loss for securities that trade on a “published market”. This reflects the current regulatory approach in Ontario and Saskatchewan and the approach for calculating damages in Part 13 [Civil Liability for Secondary Market Disclosure]. The British Columbia *Securities Rules* do not make this distinction.

Part 4 Trading in Securities Generally

Prohibited representations – exceptions

Subsection 60(5) [Exceptions] of the CMA provides that the prohibition in subsection 60(1) [Prohibited representations – securities] of the CMA against making certain representations in relation to a trade in a security does not apply in the prescribed circumstances. In order to supplement the CMA, section 13 of CMRA Regulation 11-501 provides an exception from the prohibition in subsection 60(1) of the CMA if the representation is contained in a written agreement and the security involved has an aggregate acquisition cost in excess of \$50,000. This is consistent with existing Ontario and British Columbia securities laws, and Saskatchewan securities law, except the amount in Saskatchewan is \$150,000.

Part 5 Civil Liability

Converting security prescribed for Part 12 of the CMA

Section 14 sets out the meaning of “converting security” for the purposes of Part 12 [Civil Liability] of the CMA. This definition was developed to work with the statutory right of rescission for a converting security in Part 12 of the CMA. In the CMR Jurisdictions, this definition will apply for the purposes of the prospectus disclosure requirements in NI 41-101 *General Prospectus Requirements* relating to converting securities (e.g., special warrants).

Disclosure document prescribed for subsection 122(1) of the CMA

Subsection 122(1) [Actions relating to prescribed disclosure document] of the CMA imposes liability if a person purchases securities offered by a prescribed disclosure document and that document contains a misrepresentation. Section 15 of CMRA Regulation 11-501 prescribes the disclosure document for subsection 122(1), which is based on the broad definition of “offering memorandum” from the New Brunswick, Ontario, Prince Edward Island, Yukon and Saskatchewan securities acts. The effect of section 15 is to extend liability to all disclosure documents provided to a purchaser in the course of a prospectus exempt distribution, whether provided voluntarily or not. This is a change in all CMR Jurisdictions. The rationale for this change is investor protection: an issuer should be liable for any misrepresentations in a disclosure document provided to an investor in a prospectus exempt distribution by that issuer.

Prince Edward Island and Yukon are the only CMR Jurisdictions that currently provide liability for a misrepresentation in disclosure documents associated with any prospectus exempt distribution. New Brunswick, Ontario¹ and Saskatchewan list a subset of exemptions from which there may be liability for a misrepresentation in a disclosure document used in connection with the distribution. In British Columbia, there is only liability for misrepresentations in the offering memorandum required under section 2.9 [offering memorandum] of NI 45-106 *Prospectus Exemptions*.

The Ontario definition of “offering memorandum” excludes a document setting out current information about an issuer for the benefit of a prospective purchaser familiar with the issuer through prior investment or business contacts. We did not carry forward this Ontario exclusion.

Disclosure document prescribed for paragraph 128(c) of the CMA

Paragraph 128(c) [Liability of trader, offeror or issuer] of the CMA imposes liability for failure to deliver or make available a prescribed disclosure document when the document is required to be sent or made available. Section 16 of CMRA Regulation 11-501 prescribes the NI 45-106 offering memorandum for the purposes of paragraph 128(c) of the CMA. Before the CMR launch date, section 16 will be revised to include any other document that is required to be sent or made available in connection with a prospectus exempt distribution.

This is a change in Saskatchewan as currently, if an issuer uses an offering memorandum for certain other exemptions, section 80.1 of *The Securities Act, 1988* requires delivery of the offering memorandum to the purchaser.

Section 16 further requires the prescribed disclosure document to be sent within 2 business days after the agreement of purchase and sale for a security is entered into. This is the status quo in British Columbia; however, it is less restrictive than the current requirement in Saskatchewan, which requires the offering memorandum to be delivered “to a prospective purchaser at the same time as, or before, the purchaser enters into an agreement to purchase the securities”.

¹ In Ontario, there is no liability if the prospective purchaser is a Canadian financial institution, Schedule II bank, or the Business Development Bank of Canada.

Investment fund prescribed for subsection 130(3) of the CMA

Subsection 130(3) [Payment of benefit – improper use of information, investment funds] of the CMA provides that a person is accountable to an investment fund, other than a prescribed investment fund, for any benefit or advantage received as a result of improper use of certain information. Section 17 of CMRA Regulation 11-501 prescribes private mutual funds for the purposes of this subsection.

This preserves the status quo in Ontario as the Ontario equivalent to subsection 130(3) of the CMA applies in respect of a “mutual fund in Ontario”, which is defined to not include a private mutual fund. The current provisions in Saskatchewan securities laws do not exclude “private mutual fund”.

Rescission of purchase – prospectus

Section 138 [Rescission of purchase – prospectus or prescribed offering document] of the CMA permits a purchaser of a security offered in a distribution to which subsection 27(1) [Requirement to file a prospectus, etc.] of the CMA applies the right to rescind the purchase by sending, in accordance with the regulations, a notice to the person from whom the security was purchased.

Section 18 of CMRA Regulation 11-501 supplements this provision by setting out the timing and manner in which the purchaser may send the notice of intent to rescind. It is the same as the approach taken for the existing right of rescission for a purchase under a prospectus in the CMR Jurisdictions. We replaced references to “dealer” with “intermediary”, which has been defined to refer to a person that trades in securities. This maintains the status quo in Ontario, where there is a special definition of “dealer” for the purposes of the equivalent requirements. It also maintains the status quo in British Columbia, which relies on the definition of dealer in the British Columbia *Securities Act*.

Rescission of purchase – continuous distribution

Subsection 139(1) [Rescission of purchase – continuous distribution] of the CMA provides a right of rescission to a purchaser of a security under a prospectus offered in continuous distribution in circumstances where:

- the purchase is made after the prescribed period for the distribution has expired, and
- the purchaser sends, in accordance with the regulations, a notice to the seller of the securities within 90 days after becoming aware that the issuer did not comply with the prescribed conditions to continue the distribution.

Subsection 139(1) of the CMA is intended to replace the right to cancel a purchase in subsection 17.2(6) of NI 41-101.

Section 18.1 of CMRA Regulation 11-501 provides that for the purposes of subsection 139(1) of the CMA,

- the prescribed period for the distribution is the period ending on the lapse date referred to in subsection 17.2(2) of NI 41-101, and

- the prescribed conditions to continue the distribution are the conditions referred to in subsection 17.2(4) of NI 41-101, subject to any extension granted under section 97 of the CMA.

Rescission of purchase – mutual fund security

Subsection 140(1) [Rescission of purchase – mutual fund security] of the CMA permits a purchaser of a security of a prescribed mutual fund to rescind the purchase, if the amount paid for the purchase does not exceed a prescribed amount, and if a notice is sent to the person from whom the security was purchased in accordance with the regulations.

Section 19 of CMRA Regulation 11-501 sets out the prescribed amount that the amount paid for the securities must not exceed as well as the timing in which the purchaser must send notice of intent to rescind. It reflects the approach taken to the right of rescission for a purchase of a mutual fund security in British Columbia, Saskatchewan and Ontario. The timing is “2 business days” to be consistent with the prospectus rescission remedy in section 138 of the CMA. Section 19 also defines “prescribed mutual fund” for the purposes of subsection 140(1) of the CMA as a mutual fund that is a reporting issuer or that is organized under the laws of a CMR Jurisdiction, but excludes a private mutual fund. The effect of this is that a purchaser of a private mutual fund does not have this right of rescission. This is the status quo in British Columbia and Ontario.

The British Columbia, New Brunswick, Ontario and Saskatchewan securities acts also include a right to rescind a purchase of mutual fund securities under a contractual plan. We do not propose to carry forward this additional provision. The only types of contractual plans to which the existing right applies are scholarship plans.

Rescission of purchase – scholarship plan, etc.

Subsection 141(1) [Rescission of purchase – scholarship plan, etc.] of the CMA permits a purchaser of or subscriber to a scholarship or education plan or trust to rescind the purchase or terminate the subscription by sending a notice to the issuer or vendor, in accordance with the regulations. Section 20 of CMRA Regulation 11-501 specifies that the notice must be sent within 60 days of the signing of the subscription agreement. This section is based on existing provisions in the British Columbia, New Brunswick and Ontario securities acts for contractual plans. This is consistent with the status quo in Saskatchewan.

Disclosure document and circumstances prescribed for section 142 of the CMA

Section 142 [Rescission of purchase – prescribed disclosure document] of the CMA sets out the rights of rescission for a purchase of a security under a prescribed disclosure document. Section 142, like paragraph 128(c) of the CMA, only applies to prescribed disclosure documents that are required to be sent under the regulation. Accordingly, section 21 of CMRA Regulation 11-501 prescribes the disclosure document under section 142 of the CMA to be an offering memorandum required to be delivered to a purchaser of a security under section 2.9 of NI 45-106. It is consistent with the status quo in British Columbia and Saskatchewan.

Section 21 also prescribes the circumstances for the exercise of the right of rescission under section 142 of the CMA, which are that the purchaser has purchased a security distributed in reliance on the

prospectus exemption in section 2.9 of NI 45-106. The provision also requires that the delivery of the notice of intent to rescind be no later than midnight on the second business day after the purchaser signs the agreement to purchase the security. This is consistent with the rescission right in British Columbia and Saskatchewan today.

Liability in margin contracts

Section 22 permits a purchaser of securities of any issuer on margin to cancel the purchase if the registered dealer sells securities of the same issuer for an account in which the registered dealer has an interest and if the registered dealer's sale has the effect of reducing the number of securities of that issuer held below the amount that the dealer should be carrying for all the dealer's clients. It is based on section 134 [Liability in margin contracts] of the British Columbia *Securities Act* and is designed to prevent the registered dealer from speculating with a client's securities. It is also consistent with section 66 [Margin contracts] of the New Brunswick *Securities Act*, section 47 [Margin contracts] of the Ontario *Securities Act* and section 53 [Margin contracts] of the Saskatchewan *The Securities Act, 1988*, but it imposes two additional requirements: (i) it requires dealers to provide immediate disclosure to the client of the circumstances giving rise to the right to void the contract, and (ii) it requires a client who wishes to void the contract to send written notice to the dealer within 30 days of the disclosure.

Part 6 Civil Liability for Secondary Market Disclosure

Definitions

British Columbia and Ontario securities rules define "market capitalization" and "trading price" for the purposes of calculating damages and liability limits under the provincial equivalents to subsections 163(1) [Assessment of damages – acquisition of securities] and 165(1) [Liability limit] of the CMA. There are no substantive differences with respect to these definitions. As these terms are not defined in the CMA, we propose to carry forward these definitions, together with the definition of "equity security" from section 185.1 [Market capitalization calculation] of the British Columbia *Securities Rules* in section 23 of CMRA Regulation 11-501 in order to supplement subsections 163(1) and 165(1) of the CMA and maintain the status quo.

Prescribed trades subject to civil liability remedy

Paragraph 148(b) [Non-application] of the CMA provides that Part 13 [Civil liability for secondary market disclosure] of the CMA does not apply to the acquisition of a responsible issuer's security on the basis of a distribution that is exempt from section 27 [Requirement to file prospectus, etc.] of the CMA, except as may be prescribed. In British Columbia, secondary market civil liability applies to transactions exempted from the requirement to file a prospectus under section 2.8 [Exemption for a trade by a control person] of NI 45-102 *Resale of Securities*. To maintain the status quo, subsection 24(2) of CMRA Regulation 11-501 prescribes acquisitions pursuant to the exemption in section 2.8 of NI 45-102 to be subject to Part 13 of the CMA.

Paragraph 148(c) of the CMA provides that Part 13 of the CMA does not apply to the acquisition or disposition of a responsible issuer's security in connection with a take-over bid or issuer bid, except as may be prescribed. In British Columbia, secondary market civil liability applies to transactions that occur under the "normal course purchase/issuer bid", "foreign take-over bid/issuer bid" and "de minimus" exemptions under sections 4.1, 4.4, 4.5, 4.8, 4.10 or 4.11 of MI 62-104 *Take-over Bids and Issuer Bids*.

To maintain the status quo, subsection 24(3) of CMRA Regulation 11-501 prescribes acquisitions and dispositions pursuant to a take-over bid that is exempt under any of the above referenced exemptions in MI 62-104 to be subject to Part 13 of the CMA.

These provisions are consistent with the status quo in British Columbia, New Brunswick, Ontario and Saskatchewan.

2. Local rules not carried forward

There are no local rules that are not being carried forward that merit further discussion.

B. Certain Capital Markets Participants

1. CMRA Regulation 21-501 *Certain Capital Market Participants*

CMRA Regulation 21-501 contains requirements relating to certain capital markets participants that apply in the CMR Jurisdictions. Appendix D provides a table of concordance for CMRA Regulation 21-501 indicating the primary local rules on which each section of this regulation is based. Appendix E lists the existing local rules on recognized and designated entities in the CMR Jurisdictions and notes whether they are carried forward.

Part 1 Definitions

Part 1 contains definitions of terms used in CMRA Regulation 21-501.

Part 2 Record-keeping

Section 2 requires a market place to provide a client of a member or participant who produces a written confirmation of a transaction on the market place with certain details about the transaction. This requirement is currently included in the British Columbia, Ontario and Saskatchewan securities acts.

Part 3 Recognized Entities

Bourse de Montréal Inc.

In British Columbia and Saskatchewan, the Bourse de Montréal Inc. is recognized for the purposes of NI 21-101 *Marketplace Operation* and NI 23-101 *Trading Rules*. In Ontario, the Bourse de Montréal Inc. is recognized for the purposes of NI 23-103 *Electronic Trading and Direct Electronic Access to Marketplaces*. Section 3 preserves the status quo by recognizing the Bourse de Montréal Inc. for the purposes of each of these national instruments.

Auditor of member

Section 4 requires recognized exchanges and recognized self-regulatory organizations to require their members to appoint a panel of auditors, and sets out the process for auditor selection and auditors' examinations and reports. This is consistent with requirements in the securities acts of British Columbia, Ontario and Saskatchewan.

Restriction on shareholdings of recognized exchange

Section 5, which places restrictions on ownership of a recognized exchange, is based on subsection 21.11(1) [Restriction on shareholdings in The Toronto Stock Exchange Inc.] of the Ontario *Securities Act* and Ontario Regulation 261/02 *Toronto Stock Exchange*. The Ontario provisions set out share owner restrictions attached to the shares of TMX Group.

While section 5 maintains the restriction on ownership of the TMX Group, we extended this section to cover any direct or indirect ownership of a recognized exchange. This is consistent with the status quo in Ontario, as the securities regulator in Ontario has included similar share ownership restrictions in its recognition orders of all recognized exchanges, including, for example, Aequitas NEO Exchange Inc. Consequently, to confine this section to TMX Group would be inconsistent with the overall regulatory approach to share ownership restrictions for recognized exchanges.

Part 4 Over-the-Counter Trading

Section 154 [Trade reporting] of Ontario Securities Regulation 1015 *General Regulation* contains requirements relating to the reporting of trades in over-the-counter trading of certain equity securities in Ontario to the Canadian Unlisted Board Inc., an entity overseen by the TSX Venture Exchange Inc. We propose to carry forward section 154 of Ontario Regulation 1015 in section 6 of CMRA Regulation 21-501. These trades are not otherwise required to be reported to any marketplace.

We replaced references to the “Canadian Over-the-Counter Automated Trading System” (“COAT System”) with the Canadian Unlisted Board System” (“CUB System”), as the CUB System replaced the COAT System in 2000. We similarly replaced references to “COATS security” with “CUB security”.

We revised paragraph 154(1)(a) [Trade reporting] of Ontario Regulation 1015 (paragraph 6(1)(a) in CMRA Regulation 21-501) to clarify which trades must be reported to the CUB System. To avoid unintended consequences, for example, of securities trading on a Canadian alternative trading system (ATS) needing to be reported on the CUB System, we revised paragraph 154(1)(a) so that it excludes trades made through the facilities of a market place outside Canada, rather than a trade made through the facilities of a stock exchange or other organized recognized market. We further revised paragraph 154(1)(a) to exclude trades that need to be reported to a marketplace or self-regulatory organization outside Canada immediately following execution, provided the trades are monitored and the details are made public. To require reporting of these trades would be duplicative as details of the trade are public and there is an entity performing market surveillance of the trade.

2. Local rules not carried forward

The following local rule is not being carried forward and merits further discussion.

OSC Rule 24-501 *Designation as Market Participant*

In Ontario, OSC Rule 24-501 provides that matching service utilities (MSU) be designated as a “market participant” for the purposes of the Ontario *Securities Act*. Designation as a “market participant” under Ontario securities law was historically necessary so that certain aspects of the Ontario *Securities Act* would apply to MSUs. While an MSU is considered a “clearing agency” within the meaning of the Ontario *Securities Act*, only a “recognized” clearing agency was historically included in the definition

“market participant”. OSC Rule 24-501 was meant to ensure that clearing agencies exempted from the recognition requirement which performed the services of an MSU were captured by Ontario securities law. Under the CMA, both recognized clearing agencies and clearing agencies exempted from the recognition requirement are included in the definition of market participant so there is no need to carry this rule forward.

C. Registration Requirements, Exemptions and Related Matters

1. *CMRA Regulation 31-501 Registration Requirements, Exemptions and Related Matters and related Policy*

CMRA Regulation 31-501 and its Companion Policy contain requirements, exemptions and guidance relating to registration and related matters that apply in the CMR Jurisdictions. Appendix F provides a table of concordance for CMRA Regulation 31-501 indicating the primary local rules on which each section of this regulation is based. Appendix G lists the existing local rules on registration related matters in the CMR Jurisdictions and notes whether they are carried forward.

Part 1 Definitions and Interpretation

Part 1 contains definitions and interpretation of terms used throughout the regulation. Part 1 of the Companion Policy provides corresponding guidance.

Part 2 Registration Requirements

Auditor of registrant

Section 3 is based on section 21.10 [Auditor of registrant] of the Ontario *Securities Act*. It requires every registrant that is not a member of a recognized self-regulatory organization to appoint an auditor. It further requires the auditor to examine the registrant’s financial statements and other regulatory filings in accordance with generally accepted auditing standards, and to prepare a report on the financial affairs of the registrant in accordance with professional reporting standards.

This section parallels the requirement in section 4(5) [Examination and report] of CMRA Regulation 21-501 that imposes the same requirement on auditors of members of recognized exchanges and recognized self-regulatory organizations.

Registered dealer acting as principal

Section 137 [Rescission – registered dealer] of the CMA provides for a right of rescission if a registered dealer, contrary to the regulations, fails to disclose when it intends to, or does, act as principal in respect of a purchase or sale of a security.

The CMR Jurisdictions take different approaches to imposing a requirement to disclose when a registered dealer intends to act or has acted as principal. The broadest obligation exists in section 51 [Registered dealer acting as principal] of the British Columbia *Securities Act* and is also stated in section 45 [Dealer as principal] of the Saskatchewan *The Securities Act, 1988*. It requires a registered dealer to disclose the information when it intends, as principal, to effect a trade in a security with a person who is not a registered dealer if it is making any statement in writing to the person about the security.

In order to supplement section 137 of the CMA, we propose to carry forward the British Columbia and Saskatchewan provision in section 4 of CMRA Regulation 31-501. In carrying forward this provision, we think it is appropriate to preserve the requirement that the trade be with a person who is not a registered dealer as a registered dealer would not need the protection that this disclosure is intended to provide.

While the conflicts of interest provision in section 13.4 [Identifying and responding to conflicts of interest] of NI 31-103 requires a registered dealer to identify and monitor conflicts and notify an investor of identified conflicts, we do not think it captures all of the conflicts that the British Columbia and Saskatchewan provisions were intended to address. The requirement under both the British Columbia *Securities Act* and the Saskatchewan *The Securities Act, 1988* applies to written communications by the registered dealer with all persons who are not registered dealers, including people who are not clients of the dealer.

Investor compensation fund

Section 5 requires mutual fund dealers and investment fund dealers to be members of a designated investor compensation fund. This provision is necessary because, although paragraph 17(1)(c) [Designation of entities] of the CMA permits the Authority to designate an investor compensation fund, the CMA does not contain a provision requiring certain dealers to participate in the fund. This section preserves the status quo in British Columbia and Ontario.

Subsection 5(3) requires registered dealers that are not required to be members of designated investor compensation funds to make certain disclosures to clients. It is based on section 3 of BC Instrument 32-506 *Exemption from compensation or contingency trust fund*.

Over-the-counter trading and reporting

On June 13, 2008, the British Columbia Securities Commission imposed conditions of registration on investment dealers that trade in certain securities of over-the-counter (OTC) issuers through an office in British Columbia (OTC conditions of registration). The OTC conditions of registration were part of the BCSC's response to abusive practices in the OTC markets. Over the years, the conditions of registration have been amended and extended. In December 2014, the BCSC made these conditions of registration permanent. BC Interpretation Note 33-705 *Conditions of registration for investment dealers with a BC office that trade in US over-the-counter markets* provides guidance on compliance with the conditions.

We propose to carry forward the OTC conditions of registration in the CMR Jurisdictions in the form of regulatory requirements in section 6 of CMRA Regulation 31-501. We propose to carry forward BCIN 33-705 as corresponding guidance in section 6 of the Companion Policy. We also propose to carry forward the two forms that are part of the OTC Conditions of Registration as Form 31-501F1 *Undertaking to the Authority* (referred to in paragraph 6(2)(b) of CMRA Regulation 31-501) and Form 31-501F2 *Investment Dealer Trading in OTC Issuer Securities* (required under paragraph 6(3)(e) of CMRA Regulation 31-501).

The key change we made to the conditions of registration is to amend the definition of "OTC-quoted securities" to correspond with the definition of that term in MI 51-105 *Issuers Quoted in the U.S. Over-the-Counter Markets*.

We also changed the definition of “OTC issuer” to remove references to specific exchanges. Instead, it refers to recognized exchanges, or exchanges that are recognized for the purposes of CMRA Regulation 31-501. The exchanges presently listed in the conditions of registration will either be recognized or recognized for the purposes of this regulation. In addition, we anticipate that the Authority will recognize additional exchanges for the purposes of this regulation before the CMR launch date.

Subsection 6(2) provides an exemption for an investment dealer that does not, except for isolated trades, trade in securities of OTC issuers. To rely on the exemption, a dealer must deliver a completed Form 31-501F1.

Part 3 Exemptions from the Requirement to Register

Ontario Financing Authority, BC Investment Management Corporation and New Brunswick Investment Management Corporation

Section 7 will provide an exemption from the registration requirement for any activities by the Ontario Financing Authority, the British Columbia Investment Management Corporation and the New Brunswick Investment Management Corporation carried out in the fulfilment of their duties and responsibilities under the legislation authorizing their activities. This exemption is based on the Ontario exemption currently found in section 1 [Exemption re s. 25 of the Act] of Ontario Regulation 85/05 *Exemptions Respecting the Ontario Financing Authority*.

Non-resident investment fund manager

The definition of “investment fund manager” in section 2 [Definitions] of the CMA includes certain persons that do not have a place of business in a CMR Jurisdiction. These persons would be required to be registered under subsection 22(1) [Requirement to be registered] of the CMA. Section 8 of CMRA Regulation 31-501 provides exemptions from registration for investment fund managers that do not have a place of business in a CMR Jurisdiction and section 8 of the Companion Policy provides guidance on those exemptions. The provisions are based on Multilateral Instrument 32-102 *Registration Exemptions for Non-Resident Investment Fund Managers*, and its Companion Policy and forms, which have been adopted in Ontario, Québec, and Newfoundland and Labrador. Because of these provisions, we did not carry forward Multilateral Policy 31-202 *Registration Requirement for Investment Fund Managers*. We made the key changes discussed below.

We added subsection 8(1) of CMRA Regulation 31-501, to preclude a firm that is registered as an investment fund manager in a CMR Jurisdiction from being able to rely on the exemptions in this section for activity permitted under their category of registration. We added corresponding guidance to section 8 of the Companion Policy.

We deleted the condition in paragraph 3(a) [No active solicitation in CMR Jurisdictions] of MI 32-102 (subsection 8(2) of CMRA Regulation 31-501) that none of the investment funds has security holders resident in the local jurisdiction because those persons are no longer caught by the definition of investment fund manager. Also, in the condition in subsection 8(2) requiring no active solicitation of residents of a CMR Jurisdiction, we made the effective date of this condition any time after the CMR launch date (and not any time after September 27, 2012, which is the date used in MI 32-102).

Subsection 4(1) [Permitted clients] of MI 32-102 (subsection 8(3) of CMRA Regulation 31-501), contains an exemption for investment fund managers that do not have their head office or principal place of business in Canada where all of the securities of the investment funds managed by that investment fund manager were distributed under a prospectus exemption to permitted clients. One of the conditions to this exemption in MI 32-102 is that the investment fund manager relying on the exemption is required to provide to the securities regulatory authority, for all investment funds for which it acts as an investment fund manager, the total assets under management attributable to securities beneficially owned by residents of the “local jurisdiction”. We revised the provision (paragraph 8(5)(b) of CMRA Regulation 31-501) so that the relevant amount is the aggregate amount of assets under management attributable to securities beneficially owned by residents in all CMR Jurisdictions.

We carried forward Forms 32-102F1 *Submission to Jurisdiction and Appointment of Agent for Service for International Investment Fund Managers* and 32-102F2 *Notice of Regulatory Action* in Forms 31-501F3 (required under paragraph 8(4)(d) of CMRA Regulation 31-501) and 31-501F4 (required under paragraph 8(6)(a) of CMRA Regulation 31-501), respectively. We added a clarification to Form 31-501F3 to make it clear that an investment fund manager required to submit this form to the Chief Regulator is only required to appoint one agent for service for all CMR Jurisdictions, but that it must submit to the jurisdiction of each CMR Jurisdiction in which it has activities.

Ontario Securities Commission Rule 32-505 *Conditional Exemption from Registration for United States Broker-Dealers and Advisers Servicing U.S. Clients from Ontario*

We expect the Authority to adopt registration exemptions based upon OSC Rule 32-505 *Conditional Exemption from Registration for United States Broker-Dealers and Advisers Servicing U.S Clients from Ontario* and the omnibus/blanket orders in other CMR Jurisdictions referred to in CSA Staff Notice 32-301 *Omnibus/Blanket Orders Exempting Certain U.S Broker-Dealers and U.S. Advisers from the Requirement to Register in Respect of Trades and Advice for U.S. Resident Clients*.

2. Local rules not carried forward

The following are the local rules that are not being carried forward that merit further discussion.

Ontario registration exemptions for financial institutions

The registration exemptions for certain financial institutions specified in section 35.1 of the Ontario *Securities Act* and subsection 31(a) of the Ontario *Commodity Futures Act* have not been carried forward. Also, Part 4 of OSC Rule 45-501 *Ontario Prospectus and Registration Exemptions* has not been carried forward. However, while no specific exemption is included, financial institutions may nonetheless be able to avail themselves of a number of registration exemptions contained in the initial regulations. In addition, registrants and other market participants may apply for exemptive relief under section 94 [Exemption orders] of the CMA.

D. Prospectus Requirements and Exemptions

1. CMRA Regulation 41-501 *Prospectus Requirements and Exemptions* and related Policy

CMRA Regulation 41-501 and its Companion Policy contain prospectus requirements and guidance that apply in the CMR Jurisdictions. Appendix H provides a table of concordance for CMRA Regulation 41-

501 indicating the primary local rules on which each section of this regulation is based. Appendix I lists the existing local rules on prospectus requirements in the CMR Jurisdictions and note whether they are carried forward.

Part 1 Prospectus Requirements

Refusal to issue a receipt for prospectus

Subsection 30(2) [Prospectus requirements] of the CMA requires the Chief Regulator to issue a receipt for a filed prospectus unless he or she considers that it would not be in the public interest to do so, or the regulations prevent him or her from issuing the receipt in the circumstances. Section 2 of CMRA Regulation 41-501 sets out the circumstances under which receipt must be refused. It is the same as subsection 120(2) [Refusal to issue a receipt for prospectus] of the British Columbia *Securities Rules*. New Brunswick has similar requirements in subsection 75(2) [Receipt for prospectus] of the New Brunswick *Securities Act*, Ontario has similar requirements in subsection 61(2) [Refusal of receipt] of the Ontario *Securities Act*, and Saskatchewan has similar requirements in subsection 70(2) [Receipt for prospectus] of *The Securities Act, 1988*.

We included a receipt refusal ground in paragraph 2(1)(i) of CMRA Regulation 41-501 that currently exists only in British Columbia (paragraph 120(2)(i) of the British Columbia *Securities Rules*). That paragraph requires the Chief Regulator to refuse a receipt if the directors and officers of the issuer or investment fund manager lack the knowledge and expertise necessary to conduct the business of the issuer in the best interests of the issuer or the issuer's shareholders.

Permitted activities under preliminary prospectus

Section 34 [Permitted activities under preliminary prospectus] of the CMA provides that during the period between the issuance of a receipt for a preliminary prospectus and the issuance of a receipt for a prospectus, a person may undertake the trading activities relating to a proposed distribution that are permitted by the regulations. Section 3 of CMRA Regulation 41-501 sets out the permitted activities that a person may engage in during the "waiting period". Other marketing activities by investment dealers during the waiting period are permitted by sections 13.5, 13.7 and 13.9 of NI 41-101 *General Prospectus Requirements*.

In drafting section 3 of CMRA Regulation 41-501, we considered the language of similar provisions in the securities acts of British Columbia (section 78 [Waiting period]) and Ontario (section 65 [Distribution of material during waiting period]). Like the provision in Ontario, section 3 of CMRA Regulation 41-501 permits communications to be made by any person. This is a change in British Columbia.

Like the British Columbia provision, section 3 permits communication during the waiting period in limited circumstances without providing specific examples of the means by which a person might communicate.

The British Columbia and Ontario securities acts also require any dealer distributing a security during the waiting period to send a copy of the preliminary prospectus to each prospective purchaser who, without solicitation, indicates an interest in purchasing the security and requests a copy of the preliminary prospectus. We propose to carry this provision forward in subsection 3(2) of CMRA Regulation 41-501.

Material given on distribution

Section 4 sets out the materials that may be distributed after a receipt is issued for a final prospectus. The requirements in section 4 are consistent with similar requirements in the securities acts of British Columbia, New Brunswick, Ontario and Saskatchewan. Other marketing activities by investment dealers after the receipt for a final prospectus are permitted by NI 41-101 *General Prospectus Requirements*, NI 44-102 *Shelf Distributions* and NI 44-103 *Post-Receipt Pricing*.

The New Brunswick, Ontario and Saskatchewan provisions provide that no other printed or written material respecting the security that is prohibited by any of the regulations shall be distributed. We did not carry this forward. Section 4 of CMRA Regulation 41-501 identifies the only materials that are permitted to be distributed. Consequently, any printed or written material that has not been specifically enumerated in section 4 may not be distributed (unless otherwise permitted by NI 41-101, other prospectus rules or other regulations).

Obligation to send prospectus

Section 37(1) [Obligation to send prospectus, etc.] of the CMA requires a person who trades in securities, and receives a purchase order or subscription for a security offered in a distribution to which the prospectus requirement in subsection 27(1) [Requirement to file prospectus] of the CMA applies, to send the latest prospectus and any amendment to that prospectus to a purchaser of a security in accordance with the regulations. Section 5 of CMRA Regulation 41-501 sets out the time frame within which the person who receives the purchase order or the subscription must send the latest prospectus and any amendment to that prospectus to the purchaser. The requirements in section 5 are generally the same as the existing requirements contained in the securities acts of British Columbia, New Brunswick, Ontario and Saskatchewan.

Part 2 Publication of Research Reports During Distributions

Section 6 provides an exemption from the prospectus requirement so that dealers can distribute research reports regarding an issuer during a distribution of securities of that issuer. For example, the exemption can be used when a dealer wants to distribute research reports during the waiting period between the receipt for a preliminary prospectus and a receipt for a final prospectus of the issuer. Section 6 of the Companion Policy provides corresponding guidance. The exemption is needed because the prospectus requirement applies to advertising and marketing activities in connection with a distribution of securities.

These provisions are based on Part 4 of OSC Rule 48-501 *Trading during Distributions, Formal Bids and Share Exchange Transactions* and its Companion Policy. We did not carry forward the balance of the Ontario rule as the Investment Industry Regulatory Organization of Canada (IIROC) imposes similar obligations in Rule 7.7 of the Universal Market Integrity Rules (UMIR) that apply to trading by IIROC dealer members that are dealer-restricted persons, not just trading in Ontario.

We amended the definition of “dealer-restricted period” to conform to the definition of “restricted period” in section 1.1 [Definitions] of UMIR as that definition applies to a dealer-restricted person. We similarly amended the definition of “dealer-restricted person” to conform to the definition of “dealer-restricted person” in section 1.1 of UMIR.

Section 6 of CMRA Regulation 41-501 is the status quo in Ontario and is new for the other CMR Jurisdictions.

Part 3 Trust Indentures

We propose that section 7 replace all corporate law provisions dealing with trust indenture requirements for public offerings of debt securities to be issued under a trust indenture. This follows the recommendations of the 2010 Uniform Law Conference.

Section 7 carries forward the public trust indenture requirements in Part 3 Division 8 [Trust indentures] of the British Columbia *Business Corporations Act* and Part V of the Ontario *Business Corporations Act* (which imposes similar requirements), modified as discussed below.

Section 7 applies to both corporate and non-corporate issuers. We also require that a trustee be a person that is a company. These are changes in British Columbia and Ontario.

Any person has the right to require a trustee to provide a list of holders of outstanding debt obligations under the trust indenture. Issuers are obligated to deliver a compliance certificate at least once in each 12-month period. We also require trustees to provide notice when a default is cured. These are changes in British Columbia.

Trustees are not prohibited under CMRA Regulation 41-501 from acting as a receiver, receiver-manager or liquidator. This is a change in Ontario.

Relief for certain multijurisdictional debt offerings will be available under Part 19 of NI 71-101 *The Multijurisdictional Disclosure System*.

Part 4 Restricted Shares

Section 8 removes prospectus exemptions for certain distributions of restricted shares unless shareholder approval, on a majority of the minority basis, was obtained for the distribution or the reorganization that resulted in the creation of the restricted shares. This reflects the requirements in Part 3 of OSC Rule 56-501 *Restricted Shares*, subject to the changes discussed below. The required vote by ‘minority shareholders’ in order for a reporting issuer to distribute restricted securities under a prospectus exemption furthers investor protection.

We added a definition of “private issuer”, which is used in subsection 8(7) of CMRA Regulation 41-501. It has the same meaning as in subsection 2.4(1) [Private issuer] of NI 45-106 *Prospectus Exemptions*.

Parts 5 and 6 Prospectus and Related Registration Exemptions

We are reviewing local prospectus and related registration exemptions and will publish them at a later date. Please see our commentary under “Background – Matters to be addressed after publication” for an overview.

Part 7 Reporting Requirements Related to Prospectus and Registration Exemptions

We are similarly reviewing the reporting requirements, and will publish them at a later date.

2. Local rules not carried forward

The following are the local rules that are not being carried forward that merit further discussion.

BC Notice 47-701 *Blanket Permission under section 50(1)(c) of the Securities Act.*

Under section 50(1)(c) of the British Columbia *Securities Act*, a person must not make listing representations without the written permission of the Executive Director. BCN 47-701 provides blanket permission. We are not carrying forward BCN 47-701. Under the CMRA, we will follow Ontario's approach today, which means that for circumstances that fall outside those permitted by provisions in other regulations, a person will need to seek an exemption from the prohibitions in subsection 60(4) [Prohibited representations – Listing on an exchange] of the CMA.

Ontario Securities Commission Rule 56-501 *Restricted Shares*

Parts 1, 3 and 4 of OSC Rule 56-501 are reflected in section 8 of CMRA Regulation 41-501. We are not carrying forward Part 2 [Disclosure Requirements] of OSC Rule 56-501 since other CMR Jurisdictions do not have these provisions and Part 10 of NI 51-102 has disclosure requirements for reporting issuers with restricted securities.

E. Disclosure and Proxies

1. CMRA Regulation 51-501 *Disclosure and Proxies*

CMRA Regulation 51-501 contains requirements relating to issuer disclosure and proxies that apply in the CMR Jurisdictions. Appendix J provides a table of concordance for CMRA Regulation 51-501 indicating the primary local rules on which each section of this regulation is based. Appendix K lists the existing local rules on ongoing requirements for issuers and insiders (continuous disclosure) in the CMR Jurisdictions and notes whether they are carried forward

Part 1 Definitions and Interpretation

Part 1 contains definitions and interpretation of terms used throughout CMRA Regulation 51-501.

Part 2 Disclosure

Section 3 requires corporations, partnerships and trusts formed or governed under the laws of Canada or a CMR Jurisdiction, whose securities are listed or quoted on foreign marketplaces, to file certain information within ten days after the date of the listing or quotation. Reporting issues are exempted from this reporting requirement. Section 3 also prescribes such a listed and quoted issuer to be a market participant under the CMA.

This provision is based on New Brunswick Rule 51-504 *New Brunswick Corporations Listed or Quoted on Certain Marketplaces*. This is new in all other CMR Jurisdictions. The rationale for this provision is to allow for better monitoring of the activities of these issuers in foreign capital markets.

Part 3 Meeting Information and Voting

Meeting information and voting instructions

Section 182 [Meeting information and voting instructions] of the British Columbia *Securities Rules*, together with subsection 118(3) [Voting if proxies are provided] of the British Columbia *Securities Act*, impose obligations on a custodian or registrant that receives a meeting notice or other relevant material to forward it to the beneficial owner, and to then vote the securities as directed by the beneficial owner. New Brunswick, Ontario and Saskatchewan have similar requirements.

We propose to carry forward these provisions in section 4 of CMRA Regulation 51-501. These provisions would not apply to materials or entities that are already subject to the requirements in NI 54-101 *Communications with Beneficial Owners of Securities of Reporting Issuers*. These provisions prohibit a registrant or custodian from voting securities that they do not beneficially own, unless the registrant or custodian has forwarded the meeting materials to the beneficial owners, and the beneficial owners require the registrant or custodian to act in accordance with the beneficial owners' voting instructions. For purposes of paragraph 4(2)(b), an intermediary or custodian that receives materials related to a meeting would only be obliged to forward those materials to beneficial owners on whose behalf it holds securities at the record date. For purposes of subsection 4(6), notification would be provided when a reporting issuer makes a request for beneficial ownership information under NI 54-101.

Voting if proxies provided

Section 5 relates to the right of a chair at a meeting not to conduct a vote by right of a ballot. Subsection 5(3) provides an exemption from proxy voting requirements in certain circumstances which are not provided for in the CMA. These provisions are the same as section 118 [Voting if proxies provided] [Exemptions] of the British Columbia *Securities Act*, section 102 [Voting] of the New Brunswick *Securities Act* and section 87 [Voting where proxies] of the Ontario *Securities Act*, and are consistent with the status quo under current Saskatchewan securities laws.

2. Local rules not carried forward

The following are the local rules that are not being carried forward that merit further discussion.

British Columbia *Securities Rules* – section 159

Section 159 [Filing in other jurisdictions] permits insiders who are not required to file insider reports using SEDI to satisfy the insider reporting requirements in British Columbia by filing substantially similar reports that the insider files in the jurisdiction in which it was organized. We did not carry forward section 159 to harmonize British Columbia's requirements with those of other CMR Jurisdictions.

British Columbia *Securities Rules* – sections 181 and 182

We carried forward the requirements in section 182 [Meeting information and voting instructions] of the British Columbia *Securities Rules* into CMRA Regulation 51-501, but we did not carry forward section 181 which works to limit the scope of section 182 requirements to securityholder materials from reporting issuers. As a result, CMRA Regulation 51-501 will apply to securityholder materials from reporting as well as non-reporting issuers.

British Columbia Instrument 51-512 *Certain Private Placements* – section 9

We did not carry forward section 9 of BCI 51-512, which provides for an exemption from the underwriting conflicts requirements imposed by NI 33-105 *Underwriting Conflicts*. Issuers and dealers will rely on the exemptions being proposed by members of the CSA to NI 33-105, expected to be effective September 8, 2015.

Ontario Securities Commission Rule 51-801 *Implementing National Instrument 51-102 Continuous Disclosure Obligations*

We did not carry forward this implementing rule as it is not necessary in the context of the initial regulations. OSC Rule 51-801 varies some of the requirements contained in Part XVIII [Continuous Disclosure] and Part XIX [Proxies and Proxy Solicitation] of the Ontario *Securities Act*, provided that the issuer complies with the corresponding requirement in NI 51-102.

Since the CMA does not contain the same continuous disclosure and proxy provisions as the Ontario *Securities Act* as a result of the platform approach, there is no need for a new CMRA regulation to vary such a provision for an issuer that complies with NI 51-102.

Ontario Securities Commission Rule 55-502 *Facsimile Filing or Delivery of Section 109 Reports*

OSC Rule 55-502 provides for the facsimile filing or delivery of transfer reports under section 109 of the Ontario *Securities Act*. Since the CMA does not require transfer reports, there is no need for a corresponding new CMRA regulation.

F. Take-Over Bids and Related Transactions

We are not proposing any new CMRA Regulations on take-over bids and related transactions. Appendix L lists an existing OSC local rule on take-over bids and related transactions that is not being carried forward.

G. International Issuers and Securities Transactions with Persons Outside the CMR Jurisdictions

1. CMRA Policy 71-601 *Distribution of Securities to Persons Outside CMR Jurisdictions*

CMRA Policy 71-601 provides guidance on the distribution of securities to persons outside CMR Jurisdictions. It carries forward BC Interpretation Note 72-702 *Distribution of Securities to Persons Outside British Columbia*, subject to the key changes discussed below, and extends it to all CMR Jurisdictions. The current provisions in Saskatchewan and New Brunswick similar to BCIN 72-702 are found in General Ruling/Order 72-901 *Trades to Purchasers Outside of Saskatchewan* and New Brunswick Local Rule 72-501 *Distributions of Securities to Persons Outside New Brunswick*.

CMRA Policy 71-601 represents a change in Ontario from the current approach under OSC Interpretation Note 1. For further discussion, please see “3. Local rules and guidance not carried forward” below.

We added section 3 to clarify that, although the Policy refers throughout to a distribution of securities by an “issuer”, the Policy applies to anything caught under the definition of “distribution” in the CMA.

We changed CMRA Policy 71-601 so that it speaks primarily to the prospectus requirement, however, we added guidance in section 4 directing readers to section 1.3 of the Companion Policy to NI 31-103 to determine whether trading or advising activity triggers the requirement to register.

CMRA Policy 71-601 describes two primary circumstances where an issuer must comply with the prospectus requirement (or rely on an exemption from that requirement) in making a distribution to a person outside the CMR Jurisdictions: 1. a distribution from a CMR Jurisdiction; and 2. an indirect distribution into a CMR Jurisdiction.

Where a distribution is made from a CMR Jurisdiction to a person outside of the CMR Jurisdictions, the exemptions in CMRA Regulation 71-501 *International Issuers and Securities Transactions with Persons Outside the CMR Jurisdictions* may apply. In addition, where a distribution is made from outside of the CMR Jurisdictions by an issuer with a significant connection to a CMR Jurisdiction, a resale into a CMR Jurisdiction may be considered not to be a distribution provided that the issuer has taken steps to ensure that the securities remain outside of CMR Jurisdictions for a period of four months. This relaxes the BCIN 72-702 approach, which states that it is advisable for the issuer or the underwriter to require the offshore purchaser to hold the securities for the same period of time that a domestic purchaser would be required to hold those securities.

As a result of carrying forward BCIN 72-702 under CMRA Policy 71-601, we have made changes to Part 4 of Companion Policy 71-101CP *The Multijurisdictional Disclosure System*, which provides guidance on “southbound” offerings by Canadian issuers under the U.S. Multijurisdictional Disclosure System. For further information, please see the commentary on Companion Policy 71-101CP. We also updated CMRA Policy 71-601 to reflect that an offering document filed with the SEC, state regulators in the U.S. or another securities regulatory authority in Canada would not need to be filed with the CMRA under section 11.1 of NI 51-102 *Continuous Disclosure Obligations*.

2. CMRA Regulation 71-501 *International Issuers and Securities Transactions with Persons Outside the CMR Jurisdictions* and related Policy

CMRA Regulation 71-501 and its Companion Policy contain exemptions and related conditions, and guidance for international issuers and securities transactions outside the CMR Jurisdictions that apply in the CMR Jurisdictions. Appendix M provides a table of concordance for CMRA Regulation 71-501 indicating the primary local rules on which each section of this regulation is based. Appendix N lists the existing local rules on securities transactions outside the jurisdiction and notes whether they are carried forward.

Part 1 Definitions and Interpretation

Part 1 of CMRA Regulation 71-501 contains definitions and interpretation of terms used throughout the Regulation.

Part 2 International Issuers

Implementing the Multijurisdictional Disclosure System under NI 71-101

Section 3 provides relief from provisions of NI 41-101 *General Prospectus Requirements* and MI 62-104 *Takeover Bids and Issuers Bids* provided there is compliance with NI 71-101 *The Multijurisdictional*

Disclosure System or enumerated United States securities laws. This section is based on the existing requirements in British Columbia Rule 71-801 *Implementing the Multijurisdictional Disclosure System under National Instrument 71-101*, British Columbia Rule 71-802 *Distributions Outside of British Columbia under the United States Multijurisdictional Disclosure System*, New Brunswick Implementing Instrument 71-802 *Adopting NI 71-101 the Multijurisdictional Disclosure System* and OSC Rule 71-801 *Implementing the Multijurisdictional Disclosure System*.

BCR 71-802 provides exemptive relief to Canadian federal, provincial or territorial incorporated issuers from the Canadian underwriter certificate requirement in subsection 5.9(1) [Certificate of underwriter] of NI 41-101 *General Prospectus Requirements* if the prospectus is exclusively for a multijurisdictional disclosure system southbound offering. We carried this exemption forward in subsection 3(3) of CMRA Regulation 71-501 and extended the application of this exemption to any issuer filing such a prospectus in a CMR Jurisdiction regardless of where the issuer is incorporated. This is a change in British Columbia.

We added guidance to section 3 of the Companion Policy that a filer relying on the exemption in subsection 3(3) of CMRA Regulation 71-501 does not have to comply with the specific underwriter certificate form requirements in NI 41-101 *General Prospectus Requirements*, NI 44-101 *Short Form Prospectus Distributions*, NI 44-102 *Shelf Distributions* or NI 44-103 *Post Receipt Pricing*.

We added subsection 3(8) to clarify that the form required for a submission to jurisdiction and appointment of agent for service of process is Form 71-101F1 *Forms of Submission to Jurisdiction and Appointment of Agent for Service of Process*. This provision is necessary since the operative provisions of NI 71-101 refer to the filing of the required form, but do not specify Form 71-101F1.

We did not carry forward Part 4 of BCR 71-801 regarding financial reporting because the underlying British Columbia *Securities Rules* have been repealed.

Part 3 Distributions Outside the CMR Jurisdictions

Registration and prospectus exemptions for distributions to purchasers outside of the CMR Jurisdictions

Subsection 4(1) is based on BC Instrument 72-503 *Distributions of Securities Outside British Columbia*. It provides a conditional exemption to the issuer from the registration and prospectus requirements for distributions outside of the CMR Jurisdictions.

We changed subsection 3(b) of BCI 72-503 (paragraph 4(1)(b) of CMRA Regulation 71-501), to provide alternatives to requiring the purchaser to make certifications in a subscription agreement. This is a change in British Columbia. We understand that public offerings in the United States and other countries are generally not made with a subscription agreement, and market practices and procedures do not permit the use of a subscription agreement (that is, there is no place in the system where a written document is, or can be, obtained from the purchaser). Rule 144A offerings in the United States, which are unregistered offerings to “qualified institutional buyers”, are conducted in the same manner and no written agreement is or can be obtained from the purchaser. Generally in these offerings, a “notice to investors” section is used to impose “deemed” representations and warranties on the purchaser. Corresponding changes have been made to subsection 3(c) of BCI 72-503 (paragraph 4(1)(c) of CMRA Regulation 71-501).

We further revised subsection 3(b) of BCI 72-503 (paragraph 4(1)(b) of CMRA Regulation 71-501) to require the purchaser to also certify that the purchaser is not acting for the benefit of a resident in a CMR Jurisdiction (other than as the manager of a fully managed account in specific circumstances) and not purchasing with a view to continuing the distribution by reselling the security to a person in a CMR Jurisdiction. This is a change in British Columbia. These conditions have been added to preclude circumstances that would be, or would suggest, an indirect distribution into a CMR Jurisdiction.

The exemption in subsection 4(1) is limited to issuers that are listed on a qualified market (defined in section 1 of the Regulation). We expanded the definition of “qualified market” in CMRA Regulation 71-501 to include an exchange recognized for the purposes of this regulation. This is a change in British Columbia. We have limited the definition of “qualified market” to certain exchanges based on our knowledge, experience and comfort level with cross-border offerings involving issuers listed on those exchanges.

Subsection 4(1) retains, as a condition to the exemption, the requirement for the issuer to file a report of exempt distribution.

Prospectus certificate exemption for foreign underwriters

Subsection 4(3) is based on BC Instrument 43-501 *Exemption from Certificate Requirement for Foreign Underwriters*. It provides an exemption to foreign underwriters from the Canadian underwriter certificate requirement in subsection 5.9(1) of NI 41-101 *General Prospectus Requirements*. We made the key changes discussed below.

We added updated definitions of “Canadian underwriter” and “foreign underwriter” in section 1 of CMRA Regulation 71-501 which refer to persons registered as dealers under the laws of Canada for a Canadian underwriter, and United Kingdom of Great Britain and Northern Ireland or the United States for a foreign underwriter. These definitions reflect the terms of the existing exemption in British Columbia. We have limited the definition of “foreign underwriter” to dealers in the United Kingdom and the United States based on our knowledge, experience and comfort level with cross-border offerings involving underwriters in those jurisdictions.

We extended the availability of the exemption to a circumstance where the securities qualified by the prospectus are offered and sold exclusively to purchasers resident in one or more foreign jurisdictions (as defined in CMRA Regulation 71-501) and there is no involvement from a Canadian underwriter. This is consistent with the policy rationale underlying the exemptive relief that certain jurisdictions (including British Columbia) have given in the past for an outbound only prospectus.

We added guidance to section 4 of the Companion Policy that a filer relying on the exemption in subsection 4(3) of CMRA Regulation 71-501 does not have to comply with the specific underwriter certificate form requirements in NI 41-101 *General Prospectus Requirements*, NI 44-101 *Short Form Prospectus Distributions*, NI 44-102 *Shelf Distributions* or NI 44-103 *Post-Receipt Pricing*.

Exemption for Eurobond offerings

Subsection 4(4) of CMRA Regulation 71-501 is based on BC Instrument 72-504 *Distribution of Eurobonds*.

3. Local rules not carried forward

The following are the local rules that are not being carried forward that merit further discussion.

British Columbia Instrument 72-502 Trades in Securities of U.S. Registered Issuers

We are reviewing this instrument, and will publish it at a later date.

OSC Rule 71-801 Implementing the Multijurisdictional Disclosure System

We did not carry forward this implementing rule as it is not necessary in the context of the initial regulations. OSC Rule 71-801 *Implementing the Multijurisdictional Disclosure System* provides for exemptions from certain provisions of the Ontario *Securities Act* and gives “for greater certainty” relief from certain provisions of national instruments and other rules if a filer complies with the corresponding provision of NI 71-101 *The Multijurisdictional Disclosure System*.

We decided not to carry forward OSC Rule 71-801 since:

- to the extent the CMA does not contain the same provisions as the Ontario *Securities Act* as a result of the platform approach, there is no need to provide an express exemption from a statutory provision.
- other CMR Jurisdictions have not given “for greater certainty” relief from certain provisions of national instruments for a filer relying on a corresponding provision in NI 71-101 *The Multijurisdictional Disclosure System*.

We note that section 5.1 of OSC Rule 71-801 is reflected in subsection 3(8) of CMRA Regulation 71-501.

OSC Rule 71-802 Implementing National Instrument 71-102 Continuous Disclosure and Other Exemptions Relating to Foreign Issuers

We did not carry forward this implementing rule as it is not necessary in the context of the initial regulations. OSC Rule 71-802 provides for exemptions from certain provisions of the Ontario *Securities Act* and gives “for greater certainty” relief from certain provisions of national instruments and other rules if a filer complies with the corresponding provision of NI 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*.

We decided not to carry forward OSC Rule 71-802 since:

- to the extent the CMA does not contain the same provisions as the Ontario *Securities Act* as a result of the platform approach, there is no need to provide an express exemption from a statutory provision.

- other CMR Jurisdictions have not given “for greater certainty” relief from certain provisions of national instruments for a filer relying on a corresponding provision in NI 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*.

OSC Interpretation Note 1 Distributions of Securities Outside of Ontario

As noted above, CMRA Policy 71-601 represents a change in the status quo in Ontario from the current approach to “distributions out” under OSC Interpretation Note 1 *Distributions of Securities to Persons Outside of Ontario*. This interpretation note states that where a distribution of securities is effected outside of Ontario by Ontario or non-Ontario issuers, and where reasonable steps are taken by the issuer, underwriter and other participants effecting the distribution to ensure the securities come to rest outside of Ontario, the Ontario Securities Commission takes the view that there is no “distribution in Ontario” requiring a prospectus under the Ontario *Securities Act*, nor is an exemption from the prospectus requirement necessary.

The new approach provides more transactional certainty in some respects. Under the approach in CMRA Policy 71-601, in order to distribute securities to persons outside of a CMR Jurisdiction, a Canadian issuer in a CMR Jurisdiction must either qualify the distribution under a prospectus filed with the Authority or rely on a prospectus exemption under CMRA regulations. The Canadian issuer must also comply with applicable securities legislation in the jurisdiction where the purchaser is located. For example, for a distribution to persons in the United States, the Canadian issuer must also either file a U.S. registration statement with the U.S. Securities and Exchange Commission or rely on an exemption under U.S. securities legislation. The policy rationale for this approach is that since elements of the distribution occur in both the CMR Jurisdiction and the jurisdiction where the purchaser is located, the Canadian issuer has to comply with applicable securities requirements in both jurisdictions.

The Authority exercises jurisdiction over investment products originating from the CMR Jurisdictions no matter where that product is destined. As a public interest regulator, this is important for the Authority from both reputational and accountability standpoints.

Applicable exemptions will be available from the CMA requirements where appropriate. We expect the Authority to carry forward section 2.14 of NI 45-102 *Resale of Securities* and a CMRA version of the current BC Instrument 72-502 *Trades in Securities of U.S. Registered Issuers*. The CMRA versions of the exemptions in BCI 72-502, BC Instrument 72-503 *Distribution of Securities Outside British Columbia* and BC Instrument 72-504 *Distribution of Eurobonds* will be new for market participants in Ontario, and are intended to mitigate the impact on Ontario as a result of adopting the approach of other jurisdictions (including British Columbia) with respect to “distributions out”.

Although we have tried to anticipate the impact of this policy change for Ontario market participants, we seek comments on how to minimize any disruption or unintended consequences to capital-raising or investing activities as a result of the introduction of CMRA Policy 71-601 and related new CMRA regulations. We are interested in receiving comments on any matters that need to be clarified or subject to a specific exemption under new CMRA regulations. In particular, we are interested in receiving comments on certain questions on CMRA Policy 71-601 and CMRA Regulation 71-501.

QUESTIONS FOR COMMENT ON CMRA POLICY 71-601

1. In a cross-border prospectus offering, a Canadian issuer in a CMR Jurisdiction will file a Canadian prospectus with the Authority in compliance with the initial regulations and a U.S. registration statement with the SEC (to which a U.S. prospectus is attached) in compliance with U.S. securities legislation. Typically, the Canadian and U.S. prospectuses will contain substantially the same information.

Given the approach to “distributions out” under CMRA Policy 71-601:

- (a) Should the Canadian issuer be specifically exempted from having to deliver a copy of the Canadian prospectus to U.S. purchasers, provided that the U.S. prospectus is delivered to those purchasers and the U.S. prospectus contains substantially the same information as the Canadian prospectus? In this scenario, if the issuer is not concurrently distributing in Canada, the distribution-out Canadian prospectus will be prepared for filing and review by the Chief Regulator only.
 - (b) Should the Canadian issuer be specifically exempted from having to comply with prospectus marketing rules under the initial regulations in respect of marketing activities to prospective U.S. purchasers, provided that the Canadian issuer and its U.S. underwriters comply with U.S. securities legislation when dealing with U.S. purchasers?
 - (c) Section 30.1 of Form 41-101F1 and other prospectus rules require that statutory rights of withdrawal and rescission be disclosed in the Canadian prospectus. Should the Canadian issuer be specifically exempted from providing statutory rights of withdrawal and rescission to U.S. purchasers, provided that those U.S. purchasers receive similar rights under U.S. securities legislation? In terms of legal remedies where a prospectus contains a misrepresentation, is it relatively more difficult to pursue a Canadian issuer in the U.S. under U.S. securities legislation than in Canada under Canadian legislation? Is it relatively easier for U.S. plaintiffs to recover damages from a Canadian issuer in Canada than in the U.S.?
 - (d) Where a U.S. registration statement is filed with the SEC, in what circumstances should the Canadian issuer be specifically exempted from the civil liability provisions in sections 117 and 118 of the CMA in respect of cross-border prospectus offerings to U.S. purchasers?
2. Should CMRA Policy 71-601 or the new CMRA Regulations clarify any matters with regard to how securities distributed to U.S. purchasers under a Canadian prospectus filed with the Authority are freely tradeable in CMR Jurisdictions under the CMA (subject to paragraphs (c) and (f) of the definition of “distribution” in section 2 of the CMA)?
3. Where a U.S. underwriter solely acts as underwriter under the U.S. prospectus of a Canadian issuer in a CMR Jurisdiction and does not otherwise carry on business in a CMR Jurisdiction, should the U.S. underwriter be specifically exempt from the dealer registration requirement in CMR Jurisdictions, provided that the U.S. underwriter is only selling to U.S. purchasers and complies with applicable U.S. securities legislation?

4. CMRA Policy 71-601 notes that where a distribution is made under a prospectus exemption to an initial investor, either within or outside of a CMR Jurisdiction, any subsequent trade of those securities in a CMR Jurisdiction will be deemed a distribution subject to the prospectus requirement. In these circumstances, the resale requirements in NI 45-102 *Resale of Securities*, including hold periods, must be complied with, unless a prospectus exemption is available (subject to the guidance in the Policy, under the section on “Indirect Distribution into a CMR Jurisdiction”). In the case of distributions to persons outside of Canada, will any undue hardship or negative market impact result from the application of resale requirements in NI 45-102, such as the four-month hold period or the legend requirements in section 2.5? As noted in question 1(a) above, if a Canadian issuer is permitted to file a distribution-out prospectus (with no delivery requirement to U.S. investors), how will issuers view the distribution-out prospectus in the sense that the securities will not have a four-month hold period or be subject to a legend requirement? In this context, do market participants consider it necessary to revise the guidance contained in section 1.6 of Companion Policy 45-102 for the CMR Jurisdictions?

QUESTIONS FOR COMMENT ON CMRA REGULATION 71-501

1. Subsection 4(1) of CMRA Regulation 71-501 provides an exemption from the registration requirement and the prospectus requirement for certain distributions outside of the CMR Jurisdictions. In this regard, will any undue hardship or negative market impact, or any investor protection benefit, result from:
 - (a) limiting the exemption to issuers that have equity securities listed or quoted on a “qualified market” (defined in section 1 of the Regulation), or
 - (b) requiring the issuer to list non-Canadian purchasers in the report of exempt distribution required by paragraph 4(1)(e)?
2. Subsection 4(4) of CMRA Regulation 71-501 provides an exemption from the registration requirement and the prospectus requirement for certain Eurobond offerings. In this regard, will any undue hardship or negative market impact, or any investor protection benefit, result from:
 - (a) limiting the exemption to debt listed on a “genuine market” (defined in section 1 of the Regulation), or
 - (b) requiring the issuer to list non-Canadian purchasers in the report of exempt distribution required by paragraph 4(4)(c)?

H. INVESTMENT FUNDS

1. CMRA Regulation 81-501 *Investment Funds*

CMRA Regulation 81-501 *Investment Funds* contains requirements for investment funds that apply in the CMR Jurisdictions. Appendix O provides a table of concordance for CMRA Regulation 81-501 indicating the primary local rules on which each section of this regulation is based. Appendix P lists the existing local rules on investment funds in the CMR Jurisdictions and notes whether they are carried forward.

Part 1 Self-Dealing

Part 1 is based on BC Instrument 81-513 *Self-Dealing*, which sets out prohibitions and restrictions relating to conflicts of interests of mutual funds. BCI 81-513 is substantially similar to sections related to self-dealing in Part XXI [Insider Trading and Self-Dealing] of the Ontario *Securities Act* and is consistent with the prohibitions and restrictions found within Part XVII [Insider Trading and Self-dealing] of Saskatchewan *The Securities Act, 1988* and Part 10 [Insider Trading and Self-Dealing] of the New Brunswick *Securities Act*.

We extended CMRA Regulation 81-501 to apply to “investment funds” rather than “mutual funds”, which is consistent with the status quo in Ontario, New Brunswick and Saskatchewan.

We deleted the reference to “a trade in an exchange contract” in the definition of “investment” because exchange-traded derivatives generally do not give rise to the self-dealing concerns that this regulation addresses. We also replaced all references to “mutual fund manager” with “investment fund manager” (defined in the CMA) and “mutual fund distributor” with “principal distributor” (defined in NI 81-102 *Mutual Funds*).

Under section 5 [Section 3 exemption] of BCI 81-513, a mutual fund is not prevented from making an investment in an issuer simply because it is deemed to be a beneficial owner of the voting securities of the issuer. We carried forward this exemption in section 5 of CMRA Regulation 81-501. We also added registered investment fund managers and registered advisers acting on behalf of an investment fund to the exemption. This is consistent with the approach under NI 31-103.

Section 6 addresses conflicts of interest that arise because of the investment funds’ unique management and ownership structure. It continues the existing prohibitions. This is consistent with the approach under NI 31-103.

Section 7 [Indirect investment] of BCI 81-513 prohibits entering into a contract that results, directly or indirectly, in the mutual fund making an investment that it would otherwise be prohibited from making. We carried forward this prohibition in section 7 of CMRA Regulation 81-501, but have expanded it to include a “registered adviser”.

We changed the scope of section 8 [Fees on investment for mutual fund] of BCI 81-513 so that it applies only to investment funds that are reporting issuers. This is consistent with the status quo in Ontario and Saskatchewan. It is a change to the status quo in British Columbia in two ways. First, it expands the scope to apply to non-redeemable investment funds that are reporting issuers. Second, it narrows the scope so that it no longer applies to mutual funds that are not reporting issuers.

Part 2 Filing

Part 2 is based on section 153 [Filing of material sent to security holders or filed in other jurisdictions] of the British Columbia *Securities Rules*. This provision requires an investment fund that is a reporting issuer to file a copy of any record that it files in another jurisdiction if it has not already been filed, and is material to investors.

Although carrying forward this provision represents a change in the CMR Jurisdictions other than British Columbia, it is appropriate for investment funds to be required to file with the Chief Regulator

disclosure materials that they filed in other jurisdictions so that there is a comprehensive public disclosure record available to investors.

2. Related rules not carried forward

The following are the local rules that are not being carried forward that merit further discussion.

Ontario Regulation 1015, Part 14 – Labour Sponsored Investment Fund Corporations

Due to legislative changes, Labour Sponsored Investment Fund Corporations have been terminating their operations or re-organizing into other corporations or funds. To the extent a Labour Sponsored Investment Fund Corporation continues to exist and requires some of the exemptions codified under Part 14 of the Regulation, it can apply for a discretionary exemption on a case by case basis.

British Columbia Securities Rules, s. 154 [Filing of records filed in another jurisdiction]

This rule permits an investment fund that is a reporting issuer to satisfy certain local continuous disclosure filing requirement by filing substantially similar material that it files in another jurisdiction. We did not carry this forward because no other CMR Jurisdiction has a similar exemption, and because we want all funds to comply with the CMA's disclosure requirements. We are not aware of any funds that rely on this exemption today.

BC Instrument 81-504 *Transactions between Mutual Funds and Responsible Persons Relating to Certain Debt Securities, Mortgages and Equity Securities*

BCI 81-504 provides exemptions for mutual funds and their related parties from the prohibitions relating to purchases and sales of securities to or from the account of a responsible person where the purchase or sale relates to mortgages, equity securities that met certain criteria, certain guaranteed debt securities and certain short term debt securities. We think that in most situations where relief was required, exemptions have already been added to NI 81-102 *Investment Funds* or to NI 81-107 *Independent Review Committee for Investment Funds*.

One exception is that exemptions have not been provided for purchases and sales of mortgages or guaranteed mortgages. To assess the degree to which BCI 81-504 is being relied upon, the BCSC reviewed exemptive relief decisions to see whether entities that would be prohibited from purchasing or selling these types of securities. We found that entities that require this relief in other provinces are also obtaining discretionary relief from the equivalent British Columbia requirements and are not relying on BCI 81-504.

Accordingly, since BCI 81-504 is not being used, it does not need to be carried forward.

BC Instrument 81-511 *Exemption from Independent Review Committee Requirement for BC-Only Reporting Issuers*

BCI 81-511 provides investment funds that are reporting issuers in British Columbia only with an exemption from the requirement to have an independent review committee as required by NI 81-107. British Columbia initially adopted this exemption because of cost concerns. Since adoption of NI 81-107,

industry has accepted these costs, and CMRA Regulation 81-501 harmonizes with the other CMR Jurisdictions to remove this exemption.

I. Derivatives

Today, legislation and regulations relating to derivatives in the CMR Jurisdictions are not harmonized. No national instruments specifically address derivatives regulation. While the basic objectives and scope of derivatives regulation are similar in various Canadian jurisdictions, the legislation is structured differently and the rules and policies are not aligned across CMR Jurisdictions.

For transitional purposes, we have prepared the draft initial derivatives regulations, forms and policies by adapting existing local derivatives rules, forms and policies in CMR Jurisdictions. This approach is consistent with our objectives of maintaining continuity and minimizing disruption for market participants in the transition to the Cooperative System. Generally, we have not sought to modernize derivatives regulation. Rather, we have attempted to preserve the status quo and have proposed substantive changes only where necessary to harmonize requirements. See Appendix R, which discusses the existing local derivatives rules in the CMR Jurisdictions, for further details.

We have also proposed changes to other regulations, forms and policies where necessary to be consistent with the proposed approach to derivatives regulation. The most significant of these changes are proposed to NI 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. We discuss the derivatives-specific changes in NI 31-103 below. All other changes to NI 31-103 are discussed under that topic heading, above.

Overview of Derivatives Proposal

The CMA provides a framework for derivatives regulation that will support the ongoing development and evolution of regulations that are tailored to address the unique characteristics of the derivatives market and specific derivatives products.

For purposes of transitioning to the Cooperative System, we have developed two proposed derivatives regulations, which have been adapted from local derivatives regulations in CMR Jurisdictions:

- draft initial CMRA Regulation 91-501 *Derivatives and Strip Bonds*
- draft initial CMRA Regulation 91-502 *Trade Repositories and Derivatives Data Reporting*.

Appendix Q provides a table of concordance for CMRA Regulation 91-501 indicating the local rules and legislative provisions on which each provision of CMRA Regulation 91-501 is based. CMRA Regulation 91-502 is based on OSC Rule 91-507 *Trade Repositories and Derivatives Data Reporting*.

Each CMRA Regulation and its related policy and forms are discussed below. The proposed derivatives regulations are intended as interim transition measures to be effective until the Authority develops a comprehensive regime for the regulation of derivatives. Canada has G-20 commitments that relate to the regulation of derivatives trading. The proposed derivatives regulations will be updated to reflect the G-20 work now being done by the CSA OTC Derivatives Committee.

In particular, with respect to registration, we note that the CSA OTC Derivatives Committee recently recommended, in *CSA Consultation Paper 91-407 Derivatives: Registration*, that

“Canadian securities regulators analyze existing regulatory regimes, including requirements, compliance monitoring and enforcement, imposed by other Canadian regulatory authorities to determine whether those regimes impose regulatory requirements that are, in their outcome, equivalent to those that would be implemented by securities regulatory authorities. The Committee further recommends that exemptions from registration requirements be adopted where equivalent regulatory regimes are in place.”

Framework of Derivatives Regulation

The definitions of “security” and “derivative” in the CMA are not mutually exclusive. A product may fall under both definitions. For example, an equity option or an investment contract could be both a derivative and a security. The CMA provides flexibility to categorize products to ensure they are regulated under the appropriate regime. At this stage, we have not attempted to categorize all products as either a security or a derivative. In cases where a product is both a security and a derivative, both securities and derivatives requirements would apply.

As a transitional measure, we have defined all derivatives to be either exchange contracts or over-the-counter (OTC) derivatives.

“Exchange contract” is a term that is defined today in two CMR Jurisdictions (British Columbia and Saskatchewan). Under the proposed derivatives regulations, “exchange contract” would include commodity futures contracts and commodity futures options currently regulated under the *Commodity Futures Act* (Ontario) (the Ontario CFA), as well as all other instruments that are exchange-traded, standardized and for which a clearing agency is the counterparty. All other derivatives (i.e., that are not exchange contracts) would be OTC derivatives. See “Definitions of “exchange contract” and “OTC derivative””, below. The following table summarizes the key regulatory requirements that would apply, under the proposed derivatives regulations, to each of these categories.

Regulatory Requirement	Regulatory Treatment under Proposed Derivatives Regulations	
	OTC Derivatives	Exchange Contracts
Registration	<ul style="list-style-type: none"> A person in the business of trading in or advising on OTC derivatives must register as a dealer (investment dealer, exempt market dealer, or restricted dealer) or adviser unless an exemption is available. An exemption from the registration requirement is available where each party to the trade is a permitted client or a qualified party, each acting as principal. 	<ul style="list-style-type: none"> A person in the business of trading in or advising on exchange contracts must register as a dealer (investment dealer [IIROC membership required] or restricted dealer) or adviser unless an exemption is available. Registered dealers and advisers and exempt international dealers and advisers must deliver risk disclosure to each exchange contract client.
Prospectus	<ul style="list-style-type: none"> All OTC derivatives are prescribed to be securities for purposes of Part 5 [Prospectus requirements] of the CMA and are therefore subject to the prospectus requirement unless an 	<ul style="list-style-type: none"> Exchange contracts are prescribed not to be securities for purposes of the definition of “security” in section 2 of the CMA and are therefore not subject to the prospectus requirement, even if they would otherwise

Regulatory Requirement	Regulatory Treatment under Proposed Derivatives Regulations	
	OTC Derivatives	Exchange Contracts
	<p>exemption is available. OTC derivatives that are only securities because they are prescribed as such are not subject to other, non-prospectus related, requirements that are applicable <u>only</u> to securities.</p> <ul style="list-style-type: none"> An exemption from the prospectus requirement is available where each party to the trade is a permitted client or a qualified party, each acting as principal. 	<p>meet the definition of “security” (i.e., equity options).</p> <ul style="list-style-type: none"> Instead, a person registered as a dealer or adviser is required to deliver a risk disclosure statement to a client before the person first purchases or sells an exchange contract for the client, or advises the client to purchase or sell an exchange contract. Exempt international dealers and advisers are required to provide their Canadian clients with exchange contract risk disclosure, if any, that they would be required to provide to similar clients in their home jurisdiction.
Trade reporting	<ul style="list-style-type: none"> Trade reporting is required for OTC derivatives, with some exceptions, under CMRA Regulation 91-502. 	<ul style="list-style-type: none"> Trade reporting is generally not required for exchange contracts under CMRA Regulation 91-502.

Certain OTC derivatives (Exempt Derivatives) that are not regulated as derivatives today and for which full regulation under the CMA may be inappropriate (for example, gaming or insurance contracts) will be subject only to general market conduct provisions (e.g., the prohibitions on fraud and manipulation). Other regulatory requirements would not be appropriate for Exempt Derivatives, either due to the nature of the contracts or because they are subject to other consumer protection legislation. See “Exempt Derivatives”, below.

Definitions of “exchange contract” and “OTC derivative”

We propose to divide derivatives into two categories: “exchange contracts” and “OTC derivatives”.

An “exchange contract” is defined to mean, in a CMR Jurisdiction, a derivative (a) that is traded on an exchange; (b) that has standardized terms and conditions determined by that exchange; and (c) for which a clearing agency substitutes, through novation or otherwise, the credit of the clearing agency for the credit of the parties to the derivative.

The proposed definition of “exchange contract”, which has been added to National Instrument 14-101 *Definitions*, is similar to the definition of “exchange contract” in the securities acts of British Columbia and Saskatchewan. However, the proposed definition has two drafting differences. In order to be consistent with the definition of “clearing agency” in the CMA, it replaces the concept of “performance is guaranteed by a clearing agency” with the requirement that a clearing agency, through novation or otherwise, substitutes its credit for that of the parties to the derivative. This would not be a substantive difference for CMR Jurisdictions that presently have a definition of “exchange contract”.

The second difference is that the proposed definition does not require an instrument to be at a price agreed on when it is entered into on the exchange. This phrase is in the securities acts of British Columbia and Saskatchewan. This change would also not be a substantive difference.

Derivatives trading facilities are not considered “exchanges” for the purposes of the definition of “exchange contract”. Therefore, derivatives traded on derivatives trading facilities would not be exchange contracts.

The proposed definition of “OTC derivative” is a derivative that is not an exchange contract. The definition is found in subsection 1(2) of proposed CMRA Regulation 11-501 *Definitions, Procedure, Civil Liability and Related Matters*.

A. OTC Derivatives

Registration Requirement for OTC Derivatives

Under the CMA, the registration requirement applies to those in the business of trading in or advising with respect to trading in derivatives. Requirements applicable to registrants in respect of OTC derivatives are contained in NI 31-103. Today, NI 31-103 only applies to registrants in respect of OTC derivatives in CMR Jurisdictions to the extent that the OTC derivatives fall within the definition of “security” in those jurisdictions (or, in New Brunswick, the definition of “derivative”).

Prospectus Requirement for OTC Derivatives

Under the CMA, the terms “security” and “derivative” have overlapping meanings, such that some contracts would be both a security and a derivative. Derivatives that meet the definition of “security” in section 2 [Definitions] of the CMA would be subject to requirements applicable to securities, as well as requirements applicable to derivatives. The prospectus requirement would only apply to securities. Therefore, only distributions of OTC derivatives that meet the definition of “security” would be subject to the prospectus requirements in the CMA and related regulations. Distributions of OTC derivatives that do not meet the definition of “security” would not be subject to the prospectus requirements.

However, as an interim measure, subsection 2(2) [OTC derivatives prescribed to be securities] of CMRA Regulation 91-501 prescribes all OTC derivatives that are not otherwise securities to be securities for the purposes of Part 5 [Prospectus requirements] of the CMA. As a result, all OTC derivatives would be subject to the prospectus requirement except where an exemption or discretionary exemptive relief is available. Accordingly, in Part 5 of the CMA and in proposed initial regulations that relate to prospectus requirements or exemptions, references to “security” should be read to include “OTC derivative”, unless the context otherwise requires. However, OTC derivatives that are only securities because of subsection 2(2) would not be subject to other, non-prospectus related requirements that are applicable only to securities.

This proposal is consistent with the regime that applies to OTC derivatives today in British Columbia and Saskatchewan. These contracts are caught under the definition of “security” in the British Columbia *Securities Act* and the Saskatchewan *The Securities Act, 1988*, typically under paragraph (n) and clause (xvi) (futures contracts and options that are not exchange contracts), respectively. This means that OTC derivatives are currently subject to the prospectus requirement for distributions of securities in British Columbia and Saskatchewan. In Ontario and New Brunswick, this proposal extends the prospectus requirement to all OTC derivatives (except where an exemption or discretionary relief is available). Today, the prospectus requirement of Ontario securities laws applies only to those OTC derivatives that fall within the definition of “security” in the Ontario *Securities Act*, as is explained in OSC Staff Notice 91-702 *Offerings of Contracts for Difference and Foreign Exchange Contracts to Investors in Ontario* (OSC

Staff Notice 91-702). In New Brunswick, the prospectus requirements of securities laws only apply to instruments that fall within the definition of “security” and do not apply to instruments that fall within the definition of “derivative” in the *New Brunswick Securities Act*.

Exemptions from the prospectus requirement for OTC derivatives are contained in CMRA Regulation 91-501 and are discussed below. In addition, prospectus exemptions contained in forthcoming proposed National Instrument 45-106 *Prospectus Exemptions* and other CMRA Regulations are proposed to be available for OTC derivatives. This is the status quo for OTC derivatives in CMR Jurisdictions to the extent that the OTC derivatives fall within the definition of “security” in those jurisdictions.

Registration and Prospectus Exemptions for OTC Derivatives

Part 4 [Over-the-Counter Derivatives] of CMRA Regulation 91-501 contains registration and prospectus exemptions for trades in OTC derivatives where each party to the trade is a “qualified party” (as defined in CMRA Regulation 91-501) or “permitted client” (as defined in NI 31-103), each acting as principal. The registration and prospectus exemptions carried forward in CMRA Regulation 91-501 are derived from BCI Instrument 91-501 *Over-the-Counter Derivatives* and from discretionary exemption orders granted by the OSC. The Companion Policy to CMRA Regulation 91-501 is derived principally from the Companion Policy to BCI 91-501. This provision is also analogous to the current exemptions for trades in OTC derivatives governed by Saskatchewan General Order 91-907 *Over-the-Counter Derivatives*, which was based on BCI 91-501. However, paragraph (o) of the definition of “qualified party” is less restrictive than the current Saskatchewan provision, which provides that a qualified party is a person “that is an accredited investor and buys, sells, trades, produces, markets, brokers or otherwise uses a commodity in their business...”. This would be a difference from the status quo in Saskatchewan as the requirement to be an accredited investor has not been carried forward. New Brunswick also contains a similar registration exemption in New Brunswick Local Rule 91-501 *Derivatives* for trades in derivatives where each party to the trade is a qualified party acting as principal. NBLR 91-501 applies to trades in all derivatives and is not specific to OTC derivatives.

BCI 91-501 provides registration and prospectus exemptions for a trade in an OTC derivative where both parties to the trade are “qualified parties” as defined in the instrument. The OSC has granted a number of discretionary exemption orders from the registration and prospectus requirements for trades in OTC derivatives that are securities, as contemplated in OSC Staff Notice 91-702. These OSC decisions provide registration and prospectus exemptions where each party to the trade is a “permitted client”, as that term is currently defined in NI 31-103. The definitions of “qualified party” (used in BCI 91-501) and “permitted client” (used in OSC decisions), overlap considerably; however, there are differences between the two terms. In order to minimize disruption to the market, the exemptions in BCI 91-501 have been extended in CMRA Regulation 91-501 to include both “qualified parties” and “permitted clients”, each acting as principal. We have proposed minor changes to the definition of “qualified party” to modernize outdated drafting. These changes would not be substantive. Also, the proposed definition of “qualified party” would now contemplate that persons designated by the Authority could be “qualified parties”.

QUESTION FOR COMMENT: Section 10 [Registration and prospectus exemptions] of CMRA Regulation 91-501 provides that the registration and prospectus requirements applicable to an OTC derivatives trade do not apply where each party to the trade is a permitted client or a qualified party and where each party is acting as principal. Given the G-20 commitment to require OTC derivatives to be traded on an electronic trading platform, we expect many OTC derivatives trades in the future to involve agents who provide access to the platforms on behalf of the beneficial parties to the trades. Should the registration and prospectus exemptions in section 10 apply where the trade involves an agent acting on behalf of one or both beneficial parties to the trade where the beneficial parties are permitted clients or qualified parties?

In Ontario, subsection 35.1(1) of the *Securities Act* exempts specified financial institutions from the requirements to be registered as a dealer, underwriter, adviser or investment fund manager. This exemption applies to specified financial institutions in the business of trading OTC derivatives that are “securities”, as described in OSC Staff Notice 91-702. This registration exemption would no longer be available under the CMA. However, as described above, CMRA Regulation 91-501 would include a registration exemption for a trade in an OTC derivative where each party to the trade is a permitted client or a qualified party, each acting as principal. Further, as noted in “Overview of Derivatives Proposal”, above, we expect that the proposed derivatives regulations will be updated to reflect the G-20 work now being done by the CSA OTC Derivatives Committee.

B. Exchange Contracts

Registration Requirement for Exchange Contracts

In British Columbia and Saskatchewan (the Exchange Contract Jurisdictions), activity involving “exchange contracts” is regulated by the securities acts of the provinces. In these two provinces, the requirement to register to deal in or provide advice on securities also applies to dealing in or providing advice on exchange contracts. Most of the registration exemptions for securities-related activities are not available for exchange contract related activities.

In the Exchange Contract Jurisdictions, exchange contracts are expressly excluded from the dealer registration exemptions set out in Part 8, Division 1 of NI 31-103, except for sections 8.4 [Person or company not in the business of trading], 8.20 [Exchange contract] and 8.20.1 [Exchange contract trades through or to a registered dealer]]. In addition, in Part 8, Division 2 [Exemptions from adviser registration] of NI 31-103, exchange contracts are expressly excluded from section 8.26 [International adviser] of NI 31-103.

The status quo would be maintained in the Exchange Contract Jurisdictions. The registration requirement has been included in the CMA (although it refers to all derivatives, not just exchange contracts) and the same registration exemptions that exist in NI 31-103 for exchange contracts today would exist after the CMR launch date.

In New Brunswick, NBLR 91-501 requires a person in the business of trading in derivatives to be registered as an investment dealer, a portfolio manager or a representative of an investment dealer or portfolio manager under NI 31-103. The requirements do not apply in respect of a trade in a derivative where each party to the trade is a qualified party acting as principal.

In Ontario, commodity futures contracts and commodity futures options are regulated under the Ontario CFA. Any person or company that trades in or acts as an adviser with respect to “commodity futures contracts” or “commodity futures options” is required to register under the Ontario CFA or to qualify for an exemption. The Ontario CFA provides statutory exemptions from the dealer and adviser registration requirements in respect of commodity futures contracts and commodity futures options.

It is proposed that, when the CMA is implemented, the Ontario CFA would be repealed and commodity futures contracts and commodity futures options currently regulated under the Ontario CFA would be regulated as exchange contracts. The registration exemptions under the Ontario CFA that apply to commodity futures contracts and commodity futures options would no longer be available. However, the “trade trigger” for registration under the Ontario CFA would be replaced with the CMA’s “business trigger”. Therefore, market participants who previously relied on exemptions under the Ontario CFA for trading in exchange contracts would be subject to the dealer registration requirement under the CMA only if they are in the business of trading. Furthermore, market participants currently relying on Ontario CFA exemptions may be able to rely on registration exemptions in NI 31-103 that apply to exchange contracts.

Registration Exemptions for Exchange Contracts

The following table summarizes the most commonly used registration exemptions currently available in the CMR Jurisdictions in respect of trades in exchange contracts (or commodity futures contracts or commodity futures options) and how each exemption is proposed to be addressed in the draft initial regulations under the CMA.

Registration Exemptions	Proposal
<i>Dealer Registration Exemptions</i>	
Trade through a registered dealer exemption	Currently, NI 31-103 provides an exemption from the dealer registration requirement for a person making certain trades in exchange contracts through or to an appropriately registered dealer (section 8.20 [Exchange contract – Alberta, British Columbia, New Brunswick and Saskatchewan]). We propose that this registration exemption would be available for trades in exchange contracts in the CMR Jurisdictions.
Unsolicited trade exemption	Currently, the Ontario CFA provides an exemption from the dealer registration requirement for certain “unsolicited trades” (subsection 32(c) [Exemption of trades]). Effective January 11, 2015, NI 31-103 was amended to remove an exemption for trades in exchange contracts resulting from an “unsolicited” order placed with a non-resident individual (paragraph 8.20(1)(b)). We have not proposed an “unsolicited trade” exemption. A person may instead be able to rely on the proposed “trade through a registered dealer” exemption, the proposed “international dealer” exemption in section 6 [Registration exemption – International dealer] of CMRA Regulation 91-501 or another registration exemption, provided the trade meets the terms of the exemption.
Hedger exemption	Currently, the Ontario CFA provides an exemption from the dealer registration requirement to a person that is a “hedger” making a trade through a dealer (subsection 32(a)). Under the CMA, a hedger that is not in the business of trading in exchange contracts is not required to be registered as a dealer. Other hedgers may be able to rely on an exemption from the dealer registration requirement, such as the exemption in section 8.20 of NI 31-103 for trades in exchange contracts made through or to a registered dealer, provided that the trade meets the terms of the exemption.

International dealer exemption	See “International Dealer and International Adviser Registration Exemptions for Exchange Contracts”, below.
Adviser Registration Exemptions	
Exemption for registered dealers	Currently, NI 31-103 contains two exemptions for a dealer from the requirement to register as an adviser if the advising activity carried on by the dealer is related to the performance of the dealer’s dealing-related activities on behalf of a client (sections 8.23 [Dealer without discretionary authority] and 8.24 [IIROC members with discretionary authority]). We propose that dealers that provide advice on exchange contracts as part of their dealer mandate would be able to rely on these registration exemptions in NI 31-103.
Exemption for certain professionals	Currently, the Ontario CFA provides a very limited statutory exemption from the adviser registration requirement for certain professionals whose performance of the services of an adviser is incidental to their principal business (subsection 31(b) [Exemptions of advisers]). We have not proposed a specific exemption for “professionals”. Instead, section 1.3 [Fundamental concepts] of the proposed Companion Policy to NI 31-103 provides guidance on when professionals who provide advice on exchange contracts in the normal course of their professional activities would not be subject to the adviser registration requirement.
Generic advice exemption	Currently, NI 31-103 provides an exemption from the requirement to register as an adviser when providing non-tailored advice (section 8.25 [Advising generally]). We propose to carry forward this provision. The exemption presently requires that the person providing the advice disclose any financial interest in the security. To make the NI 31-103 exemption more suitable for exchange contracts, the disclosure of “financial or other interests” required by this exemption is proposed to be expanded in CMR Jurisdictions to include, in the case of a derivative, a material interest, financial or otherwise, in the derivative’s underlying interest.
Exemption for banks	Currently, the Ontario CFA and OSC Rule 32-504 (<i>Under the Commodity Futures Act</i>) <i>Adviser Registration Exemption</i> provide very limited exemptions from the adviser registration requirement for certain financial institutions whose performance of the services of an adviser is solely incidental to their principal business. The draft initial CMRA Regulations do not contain similar exemptions from the adviser registration requirement.
International sub-adviser exemption	Currently, NI 31-103 provides an exemption from the adviser registration requirement for non-resident sub-advisers (section 8.26.1 [International sub-adviser]). We propose that the registration exemption in NI 31-103 be made available to non-resident sub-advisers providing advisory services to a registered adviser in respect of exchange contracts. In Exchange Contract Jurisdictions this would maintain the status quo. In other CMR Jurisdictions, this would be a new registration exemption for advising on exchange contracts, although similar relief has been provided on a discretionary basis in Ontario.
Exemption for performance of advisory services incidental to principal business	Currently, the Ontario CFA provides a very limited statutory exemption from the adviser registration requirement for certain publishers or writers whose performance of the services of an adviser is incidental to their principal business (subsection 31(e)). We have not proposed a specific exemption for “incidental advice”. Rather, a person currently relying on the Ontario CFA exemption may be able to advise on exchange contracts in reliance on the generic advice exemption in section 8.25 of NI 31-103.
International adviser exemption	See “International Dealer and International Adviser Registration Exemptions for Exchange Contracts”, below.

QUESTION FOR COMMENT: Do you agree with the approaches to the unsolicited trade and hedger exemptions? We ask commenters to consider in their analyses the business trigger for the dealer registration requirement in the CMA.

International Dealer and International Adviser Registration Exemptions for Exchange Contracts

Currently, in Exchange Contract Jurisdictions, exchange contracts are expressly excluded from some of the dealer registration requirement exemptions set out in Part 8, Division 1 [Exemptions from dealer and underwriter registration] of NI 31-103, including section 8.18 [International dealer].

Exchange contracts are also expressly excluded from the adviser registration exemption for international advisers set out in section 8.26 [International adviser] of NI 31-103. Consequently, foreign advisers relying on that exemption for securities-related activities in any of the Exchange Contract Jurisdictions cannot rely on that exemption for advising in exchange contracts.

We propose to carry forward for CMR Jurisdictions the current approach in section 8.2 [Definition of “securities” in Alberta, British Columbia, New Brunswick and Saskatchewan] of NI 31-103 that expressly excludes exchange contracts from the dealer registration exemptions in Part 8, Division 1 of NI 31-103. We also propose to carry forward the exclusion of exchange contracts from section 8.26 of NI 31-103.

However, we have proposed new registration exemptions for foreign persons dealing in or advising on exchange contracts traded on an exchange located outside of Canada and cleared through one or more clearing agencies located outside of Canada. The new exemptions are in Part 3 [Exchange contracts] of CMRA Regulation 91-501 and are modeled after the international dealer exemption in section 8.18 of NI 31-103 and international adviser exemption in section 8.26 of NI 31-103. They are also modeled after discretionary exemptive relief orders granted in some CMR Jurisdictions. There are three notable differences. First, the new exemptions would be available only to foreign dealers and advisers in the United Kingdom of Great Britain and Northern Ireland or the United States of America. Second, we propose that all dealers and advisers relying on the new exemptions would be required to notify the Chief Regulator of any regulatory action with respect to them. Third, we propose to add a requirement that persons relying on the exemptions provide their Canadian clients with the exchange contract risk disclosure they are required to provide to comparable clients in their home jurisdictions.

Proficiency Requirements

It is proposed that a firm that deals in exchange contracts must be a member of IIROC or be a restricted dealer (i.e., a firm that can only conduct business set out in the terms and conditions to its registration). See “Categories of Registration”, below. Consequently, a dealing representative dealing in exchange contracts would either be subject to the IIROC proficiency requirements currently applied by IIROC to dealing representatives of investment dealers or, in the case of a dealing representative of a restricted dealer, any proficiency requirements set out in the terms and conditions applicable to the registration of the dealing representative’s firm. We would expect that any proficiency requirements imposed on a restricted dealer permitted to trade exchange contracts would be similar to those imposed by IIROC.

Currently, in some CMR Jurisdictions, advising representatives of a portfolio manager or a restricted portfolio manager that is not an IIROC member may advise on exchange contracts without having satisfied specific exchange contract proficiency requirements.

To harmonize adviser proficiency requirements across CMR Jurisdictions, we propose in section 4 [Proficiency] of CMRA Regulation 91-501 specific proficiency requirements for advising representatives and associate advising representatives of a portfolio manager that provide advice regarding exchange contracts. Going forward, in a CMR Jurisdiction, it is proposed that these representatives be required to

have completed the courses presently required under the IIROC requirements relating to representatives trading in exchange contracts or to have earned a CFA Charter. This would be a change in the status quo in some CMR Jurisdictions for new registrants. Persons already registered in a CMR Jurisdiction in these categories on the CMR launch date would not be affected as they would not be required to comply with the new proficiency requirements as long as they remain registered in the same category.

No Prospectus Requirement for Exchange Contracts

Some exchange contracts meet the definitions of both “derivative” and “security” in the CMA. Subsection 2(1) [Exchange contracts prescribed not to be securities] of CMRA Regulation 91-501 prescribes exchange contracts not to be securities for purposes of the definition of “security” in section 2 [Definitions] of the CMA. As all exchange contracts would be derivatives and there is no prospectus requirement in the CMA for derivatives, there would be no prospectus requirement for exchange contracts.

Market Conduct for Exchange Contracts

Exchange contracts would be subject to the market conduct provisions applicable to derivatives in the CMA.

Risk Disclosure Requirement for Exchange Contracts

Various provisions of current legislation or rules in CMR Jurisdictions require that some form of risk disclosure be provided to clients that trade in exchange contracts. We propose a single provision requiring registered dealers and advisers to deliver risk disclosure. The risk disclosure obligation is contained in section 5 [Risk disclosure statement] of CMRA Regulation 91-501. The risk disclosure statement delivery obligation would be satisfied by delivering to the client the applicable IIROC form for the particular exchange contract product or the risk disclosure form that would have been required by securities legislation immediately prior to the CMR launch date with respect to the particular exchange contract product. In Exchange Contract Jurisdictions, the requirement to provide regulator approved, exchange contract risk disclosure would be a change for advisers.

C. Exempt Derivatives

The definition of “derivative” in the CMA is broad enough to include some contracts and instruments that are not typically considered to be derivatives and for which full regulation under the CMA may not be appropriate. Part 2 [Exempt Derivatives] of CMRA Regulation 91-501 proposes to tailor the application of regulatory requirements by exempting Exempt Derivatives from the prospectus and registration requirements. Exempt Derivatives would include gaming and insurance contracts and contracts for the purchase and sale of currency or the physical delivery of other commodities (subject to certain conditions).

Similar provisions in section 25 [Application of this Part] of CMRA Regulation 91-502 would exempt these contracts from the trade reporting requirements of that Regulation.

As a result of CMRA Regulation 91-501 and the application of CMRA Regulation 91-502, Exempt Derivatives would be exempted from positive regulatory requirements (i.e., the prospectus

requirement, the registration requirement and trade reporting requirements), but would remain subject to prohibitions contained in the market conduct provisions in the CMA (e.g., the prohibitions on fraud and manipulation).

We note that this proposed approach may differ from the way certain Exempt Derivatives are currently regulated in CMR Jurisdictions. In British Columbia, for example, BC Instrument 91-502 *Short Term Foreign Exchange Transactions* and BC Instrument 91-503 *Contracts Providing for Physical Delivery of Commodities* have the effect of excluding certain short-term currency contracts and certain contracts for the physical delivery of a commodity from all securities regulation. Under the proposed approach to Exempt Derivatives, those short-term currency contracts excluded by BCI 91-502 and contracts for the physical delivery of a commodity excluded by BCI 91-503 that qualify as Exempt Derivatives in this proposal would be subject to market conduct provisions. This would be consistent with the status quo in Ontario.

By making the market conduct provisions such as the prohibitions on fraud and manipulation apply, we ensure that the Authority would have the ability to address misconduct related to these derivatives that can harm investors or damage market integrity. This would be a change in some CMR Jurisdictions where securities regulation does not apply to all of these types of products. We seek comment on whether the CMA prohibitions on market misconduct such as fraud should apply to some or all types of the proposed Exempt Derivatives or whether some or all types of Exempt Derivatives should be entirely excluded from capital markets regulation.

QUESTION FOR COMMENT: Should the Authority regulate market conduct in all types of Exempt Derivatives or should some or all types of Exempt Derivatives be entirely excluded from capital markets regulation?

D. Strip Bonds

Part 5 [Strip Bonds] of CMRA Regulation 91-501 was developed based on the rules for strip bonds in Ontario (OSC Rule 91-501 *Strip Bonds*) and British Columbia (BC Instrument 91-504 *Government Strip Bonds*). The proposed form of information statement in Form 91-501F3 *Strip Bonds and Strip Bond Packages Information Statement* to CMRA Regulation 91-501 is based on IIROC's revised form of strip bond information statement.

The definition of "strip bond" in section 1 [Definitions] of CMRA Regulation 91-501 is based on the definition in OSC Rule 91-501, but it has been revised to take into account aspects of the definition in BCI 91-504 and Saskatchewan General Ruling/Order 91-906 *Strip Bonds*. The definition has been crafted so that, except as described below, the exemptions in section 12 [Registration and prospectus exemptions] of CMRA Regulation 91-501 would apply to all strip bonds that qualify for the exemptions today in Ontario, British Columbia and Saskatchewan.

CMRA Regulation 91-501 would exempt trades in strip bonds that have underlying bonds that are issued or guaranteed by the government of Canada, a province or territory in Canada or the government of a foreign jurisdiction from the dealer registration and prospectus requirements. The exemptions would be available for trades in strip bonds with persons who have been provided with the required information statement.

In addition to a delivery requirement, CMRA Regulation 91-501 would impose a credit rating requirement, which would apply only to foreign government debt. This is the same credit rating requirement that applies to foreign government debt under the specified debt exemption in NI 31-103 (paragraph 8.21(2)(b) [Specified debt]) and NI 45-106 (paragraph 2.34(2)(b) [Specified Debt]). This would be a change in all CMR Jurisdictions.

Section 11 [Removal of registration and prospectus exemptions] of CMRA Regulation 91-501 provides that the specified debt exemptions in NI 31-103 and NI 45-106 would not be available for trades in strip bonds. This removes any ambiguity about whether a strip bond where the underlying debt is government debt can be traded under those exemptions. This would be a change in the status quo in British Columbia and Saskatchewan. The proposed change reflects the fact that strip bonds have risks that are not associated with other types of specified debt.

We have not proposed to carry forward into CMRA Regulation 91-501 the requirement in OSC Rule 91-501 to deliver disclosure to the beneficiaries of a defined contribution pension plan who make a decision to purchase a strip bond. Securities regulation does not typically require that disclosure to plan sponsors be passed along to beneficiaries and we see no reason to treat strip bond purchases differently from other investments made by pension plans.

Proposed CMRA Regulation 91-502 *Trade Repositories and Derivatives Data Reporting* and Related Policy and Forms

Proposed CMRA Regulation 91-502 contains rules for the designation of trade repositories, ongoing requirements for designated trade repositories and trade reporting requirements for counterparties to a derivatives transaction. CMRA Regulation 91-502 and its related policy and forms are based on OSC Rule 91-507 *Trade Repositories and Derivatives Data Reporting* (the OSC TR Rule) and its related policy and forms. CMRA Regulation 91-502 has also taken into consideration the proposed Multilateral Instruments 91-101 *Derivatives: Product Determination* and 96-101 *Trade Repositories and Derivatives Data Reporting* published for comment by British Columbia, Saskatchewan and New Brunswick in January 2015 (the MI TR Rule).

OSC Rule 91-506 *Derivatives: Product Determination* (the OSC Scope Rule) currently sets out the types of derivatives that are, and are not, subject to the requirements of the OSC TR Rule. We have adapted the provisions of the OSC Scope Rule to the CMA and have moved them into section 25 [Application of this Part] of CMRA Regulation 91-502. The Companion Policy to CMRA Regulation 91-502 includes guidance similar to the guidance that is currently contained in the Companion Policy to the OSC Scope Rule.

The trade reporting requirement in CMRA Regulation 91-502 would not apply to a local counterparty in relation to a trade in a derivative that is a contract for a commodity (other than cash or currency) if the local counterparty to the transaction is not a derivatives dealer and has less than a certain aggregate notional value, without netting, under all outstanding derivatives transactions. The current threshold for the exemption from reporting in the OSC TR Rule is \$500,000, whereas the MI TR Rule proposes a threshold of \$250 million (calculated, however, with reference to outstanding commodity derivatives transactions only). We expect to set a threshold dollar value between \$500,000 and \$250 million in the final proposed version of CMRA Regulation 91-502. However, we seek comments regarding the appropriate value for this threshold.

QUESTION FOR COMMENT: What is the appropriate threshold for exemption from reporting in relation to a trade in a derivative that is a contract for a commodity (other than cash or currency)? We encourage commenters to explain their suggestions and provide analysis (including data or other information) to support their suggestions.

QUESTION FOR COMMENT: Subsection 25(h) [Application of this Part] of proposed CMRA Regulation 91-502 provides that Part 3 [Data reporting] of that regulation does not apply to a contract or instrument used by an issuer or an affiliate of an issuer solely to compensate an employee or service provider or used as a financing instrument where the underlying interest of the contract or instrument is a share or stock of that issuer or its affiliate.

Currently, in the *Securities Act* (New Brunswick) and in amendments to *The Securities Act, 1988* (Saskatchewan) that have been passed but not yet proclaimed, the definition of “derivative” excludes a contract or instrument if the contract or instrument is an interest in or to a security and a trade in the security under the contract or instrument would constitute a distribution. As these contracts or instruments are not derivatives, they would not be subject to trade reporting in those jurisdictions. As a result, certain contracts or instruments not used for compensation or financing purposes would be exempt from trade reporting in New Brunswick and Saskatchewan, but would not be exempt under subsection 25(h) as proposed.

Should the subsection 25(h) exemption be expanded so that it is not limited to contracts or instruments *used solely to compensate an employee or service provider or used as a financing instrument* but also to include any contract or instrument that is an interest in or to a security where a trade in the security under the contract or instrument would constitute a distribution?

Derivatives-related Changes to NI 31-103

In addition to the proposed changes to NI 31-103 described above, we propose changes to NI 31-103 as part of the derivatives proposals. These changes harmonize the existing derivatives-related registration requirements and exemptions in CMR Jurisdictions and adapt NI 31-103 to the CMA.

Requirement to Register

Subsection 22(1) [Requirement to be registered] of the CMA states that a person must not act as a dealer or adviser unless they are registered in a category prescribed for the purposes of the activity. The definitions of “dealer” and “adviser” refer to a person engaging in, or holding itself out as engaging in, the business of, respectively, trading in or advising on *derivatives*.

“Business Trigger” for Trading in Derivatives

The Companion Policy to NI 31-103 sets out several factors that are relevant to whether a person is in the business of trading or advising. Today, the guidance in NI 31-103 does not deal specifically with derivatives. We propose to add specific factors to section 1.3 [Fundamental concepts] of the Companion Policy to NI 31-103 for consideration when evaluating whether a person is in the business of trading in derivatives in CMR Jurisdictions. This includes a clarification that frequent or regular transactions would not, on their own, be determinative of whether a party is in the business of trading in derivatives for a business purpose. For example, a person that trades in derivatives solely for its own

account, such as a commercial enterprise that frequently hedges risks that it may encounter in its business using derivatives, would not necessarily be considered to be in the business of trading derivatives.

Definitions and Interpretation

Under the CMA, the registration requirement applies to both securities and derivatives. To ensure that in CMR Jurisdictions all derivatives are subject to NI 31-103, we have revised section 1.2 [Interpretation of “securities” in Alberta, British Columbia, New Brunswick and Saskatchewan] of NI 31-103. Specifically, we have extended section 1.2 so that, in CMR Jurisdictions, the term “securities” in NI 31-103 includes all derivatives.

However, we have also revised section 8.2 [Definition of “securities” in Alberta, British Columbia, New Brunswick and Saskatchewan] of NI 31-103 so that references to “securities” in Division I [Exemptions from dealer registration] of Part 8 of NI 31-103 would exclude “exchange contracts” in CMR Jurisdictions. As a result, references to “securities” in Division 1 of Part 8 of NI 31-103 would be read to mean “securities or OTC derivatives”. This would be the status quo in Exchange Contract Jurisdictions.

Categories of Registration

We have not proposed derivative-specific categories of registration as part of the proposed derivatives regulations. Instead, the categories of registration provided in NI 31-103 would apply to derivatives.

Investment dealers, exempt market dealers and certain restricted dealers would be permitted to trade OTC derivatives under the proposed regime. Only investment dealers and certain restricted dealers would be permitted to trade exchange contracts. We have added guidance in section 7.1 [Exempt market dealer] of the proposed Companion Policy to NI 31-103 to clarify that in the CMR Jurisdictions, exempt market dealers would be prohibited from acting as a dealer by trading in exchange contracts.

Further categories of registration for derivatives dealers may be developed as part of the comprehensive regime for the regulation of derivatives. In particular, the proposed CMRA derivatives regulations will be updated to reflect the G-20 work now being done by the CSA OTC Derivatives Committee.

APPENDIX A
Table of Concordance
CMRA Regulation 11-501 Definitions, Procedure, Civil Liability and Related Matters

The table identifies the current provision(s), if any, that are the primary source(s) for each provision of CMRA Regulation 11-501 *Definitions, Procedure, Civil Liability and Related Matters*. Although not identified in this table, comparable provisions may also exist in other CMR Jurisdictions. We modified the current provision(s) that are the primary source, if necessary, to reflect the CMA, drafting conventions and harmonize with similar provisions in other CMR Jurisdictions. See the discussion of the proposed Regulation in the commentary for further information.

CMRA Regulation 11-501	Primary Source(s)
1. Definitions	
“business day”	new
“solicit”	National Instrument 51-102, s. 1.1 “solicit”
“Act”	new
“OTC derivative”	new
“private mutual fund”	Securities Act (British Columbia), s. 1(1) “private mutual fund” Securities Act (Ontario), s. 1(1) “private mutual fund” National Instrument 81-106, s. 1.1 “private mutual fund”
2. Person prescribed not to be a clearing agency	Securities Act (Ontario), s. 1(1) “clearing agency”
3. Person prescribed to be a market participant	National Instrument 25-101, s. 5
4. Person prescribed not to be a market place	National Instrument 21-101, s. 1.1 “marketplace” Securities Act (Ontario), s. 1(1) “marketplace”
5. Person prescribed to be a reporting issuer	Securities Act (Ontario), s. 1(1) “reporting issuer” (para. (c)) Securities Act (British Columbia), s. 1(1) “reporting issuer” (para. (c))
6. Disclosure of securities beneficially owned	BC Securities Rules, s. 4
7. Voluntary surrender of reporting issuer status	
(1) Definitions	BC Instrument 11-502, s. 1
(2) Application	BC Instrument 11-502, s. 2
(3) Exemption	BC Instrument 11-502, s. 3
8. Electronic delivery of documents	
(1)-(4) Interpretation	OSC Rule 11-501, s. 1
(5)-(6) Electronic filing	OSC Rule 11-501, s. 2
(7)-(10) Temporary technical difficulties exemption	OSC Rule 11-501, s. 3
9. Execution and certification of documents	BC Securities Rules, s. 189
10. Reactivation of dormant issuer	BC Securities Rules, s. 186
11. Reactivation of dormant derivative	BC Securities Rules, s. 187

CMRA Regulation 11-501		Primary Source(s)
12.	Profit made and loss avoided	BC Securities Rules, s. 187.1
13.	Prohibited representations – exceptions	BC Securities Rules, s. 93 Securities Act (British Columbia), s. 50(2)(b)
14.	Converting security prescribed for Part 12 of the Act	new
15.	Disclosure document prescribed for subsection 122(1) of the Act	Securities Act (Ontario), s. 1(1) “offering memorandum”
16.	Disclosure document prescribed for paragraph 128(c) of the Act	BC Securities Rules, s. 184.2
17.	Investment fund prescribed for subsection 130(3) of the Act	new
18.	Rescission of purchase – prospectus	
(1)	“intermediary” defined	new
(2)	Written notice	Securities Act (Ontario), s. 71(2) Securities Act (British Columbia), s. 83(3)
(3)	Receipt of prospectus by agent	Securities Act (Ontario), s. 71(5) Securities Act (British Columbia), s. 83(5)
(4)	Receipt of written notice by agent	Securities Act (Ontario), s. 71(6) Securities Act (British Columbia), s. 83(6)
(5)	Intermediary as agent	Securities Act (Ontario), s. 71(7) Securities Act (British Columbia), s. 83(7)
18.1	Rescission of purchase – continuous distribution	new
19.	Rescission of purchase – mutual fund security	BC Securities Rules, s. 185 Securities Act (British Columbia), s. 139(1)(a)
20.	Rescission of purchase – scholarship plan, etc.	Securities Act (British Columbia), s. 139(1)(b)
21.	Disclosure document and circumstances prescribed for subsection 142 of the Act	BC Securities Rules, s. 184.3 Securities Act (British Columbia), s. 138.1
22.	Liability in margin contracts	Securities Act (British Columbia), s. 134
23.	Definitions	
	“equity security”	BC Securities Rules, s. 185.1
	“principal market”	BC Securities Rules, s. 185.2 “principal market” Ontario Securities Regulation 1015, s. 250
	“market capitalization”	BC Securities Rules, s. 185.2 “market capitalization” Ontario Securities Regulation 1015, s. 249
	“trading price”	BC Securities Rules, s. 185.2 “trading price” Ontario Securities Regulation 1015, s. 251
24.	Prescribed trades subject to civil liability remedy	
(1)	Prescribed trades subject to civil liability remedy	new
(2)	Acquisitions prescribed for paragraph 148(b) of the Act	BC Securities Rules, s. 185.3(1)

CMRA Regulation 11-501	Primary Source(s)
(3) Acquisitions and dispositions prescribed for paragraph 148(c) of the Act	BC Securities Rules, s. 185.3(2)

APPENDIX B
Proposed Disposition of Local Procedures Rules
(Effective as of March 2, 2015)

This list does not include fee-related rules, which will be dealt with by the fee proposal.

Local Rule	Proposal
BC Instrument 11-501 <i>Waiver of File Search Fees for the Media</i>	We did not carry forward this instrument.
BC Instrument 11-502 <i>Voluntary Surrender of Reporting Issuer Status</i>	We carried forward this instrument in section 7 [<i>Voluntary surrender of reporting issuer status</i>] of proposed CMRA Regulation 11-501 <i>Definitions, Procedure, Civil Liability and Related Matters</i> .
BC Instrument 13-502 <i>Electronic Filing of Reports of Exempt Distribution</i>	This is addressed in section 8 [<i>Electronic delivery of documents</i>] of proposed CMRA Regulation 11-501 <i>Definitions, Procedure, Civil Liability and Related Matters</i> .
BC Instrument 14-501 <i>Definition of Exchange Issuer</i>	We did not carry forward this instrument.
BC Instrument 14-502 <i>Reporting Companies under the British Columbia Company Act and the definition of reporting issuer</i>	This is addressed in the definition of “reporting issuer” in section 2 [Definitions] of the CMA.
BC Notice 47-701 <i>Blanket Permission Under Section 50(1)(c) of the Securities Act</i>	We did not carry forward this instrument.
BC Rule Making Procedure Regulation	We did not carry forward this regulation.
BC Securities Rules, s. 1 [<i>Interpretation</i>]	We did not carry forward this rule.
BC Securities Rules, s. 4 [<i>Disclosure of securities beneficially owned</i>]	We carried forward this rule in section 6 [<i>Disclosure of securities beneficially owned</i>] of proposed CMRA Regulation 11-501 <i>Definitions, Procedure, Civil Liability and Related Matters</i> .
BC Securities Rules, s. 93 [<i>Representations prohibited</i>]	We carried forward this rule in section 13 [<i>Prohibited representations – exceptions</i>] of proposed CMRA Regulation 11-501 <i>Definitions, Procedure, Civil Liability and Related Matters</i> .
BC Securities Rules, s. 94 [<i>Submission of advertising</i>]	We did not carry forward this rule.
BC Securities Rules, s. 181 [<i>Interpretation</i>]	We carried forward subsection (1) [<i>Interpretation</i>], definition of “solicit” in section 1 [Definitions] of proposed CMRA Regulation 11-501 <i>Definitions, Procedure, Civil Liability and Related Matters</i> .
BC Securities Rules, s. 186 [<i>Reactivation of dormant issuer</i>]	We carried forward this rule in section 10 [<i>Reactivation of dormant issuer</i>] of proposed CMRA Regulation 11-501 <i>Definitions, Procedure, Civil Liability and Related Matters</i> .

Local Rule	Proposal
BC Securities Rules, s. 187 <i>[Reactivation of dormant exchange contract]</i>	We carried forward this rule in section 11 <i>[Reactivation of dormant derivative]</i> of proposed CMRA Regulation 11-501 <i>Definitions, Procedure, Civil Liability and Related Matters</i> .
BC Securities Rules, s. 187.1 <i>[Calculation of profit]</i>	We carried forward this rule in section 12 <i>[Profit made and loss avoided]</i> of proposed CMRA Regulation 11-501 <i>Definitions, Procedure, Civil Liability and Related Matters</i> .
BC Securities Rules, s. 189 <i>[Execution and certification of documents]</i>	We carried forward this rule in section 9 <i>[Execution and certification of documents]</i> of proposed CMRA Regulation 11-501 <i>Definitions, Procedure, Civil Liability and Related Matters</i> .
BC Securities Rules, s. 190 <i>[Execution and certification of SEDI documents]</i>	We did not carry forward this rule.
BC Securities Regulation, s. 8 <i>[Application]</i>	We did not carry forward this rule.
BC Securities Regulation, s. 9 <i>[Personal service]</i>	We did not carry forward this rule.
BC Securities Regulation, s. 10 <i>[Form of summons or demand]</i>	We did not carry forward this rule.
BC Securities Regulation, s. 11 <i>[Affidavit]</i>	We did not carry forward this rule.
BC Securities Regulation, s. 12 <i>[Application to Supreme Court to enter premises and obtain information]</i>	We did not carry forward this rule.
BC Securities Regulation, s. 13 <i>[Offence]</i>	We did not carry forward this rule.
BC Securities Regulation, s. 14 <i>[Application]</i>	We did not carry forward this rule.
BC Securities Regulation, s. 15 <i>[Notice]</i>	We did not carry forward this rule.
BC Securities Regulation, s. 16 <i>[Receiving Evidence]</i>	We did not carry forward this rule.
BC Securities Regulation, s. 17 <i>[Representation by counsel]</i>	We did not carry forward this rule.
BC Securities Regulation, s. 18 <i>[Decision]</i>	We did not carry forward this rule.
BC Securities Regulation, s. 19 <i>[When hearing public]</i>	We did not carry forward this rule.
BC Securities Regulation, s. 20 <i>[Sufficiency of notice]</i>	We did not carry forward this rule.
BC Securities Regulation, s. 21 <i>[Referral of question to commission]</i>	We did not carry forward this rule.
NB Local Rule 12-501 <i>Definition of Reporting Issuer</i>	We did not carry forward this rule.
NB Local Rule 15-502 <i>Procedure for Distribution of Disgorged Funds</i>	We did not carry forward this rule.

Local Rule	Proposal
NB Rule Making Procedure Regulation	This is addressed in sections 205 [<i>Notice of proposed regulation</i>], 206 [<i>Submission of regulations to Council of Ministers</i>], 209 [<i>Coming into force of regulations</i>] and 210 [<i>Automatic revocation of certain regulations</i>] of the CMA.
Ontario Regulation 1015 <i>General</i> , ss. 1(5), (6), (7) [<i>Interpretation</i>]	This is addressed in section 6 [<i>Disclosure of securities beneficially owned</i>] of proposed CMRA Regulation 11-501 <i>Definitions, Procedure, Civil Liability and Related Matters</i> .
Ontario Regulation 1015 <i>General</i> , s. 161 [<i>Execution and Certification of Documents</i>]	This is addressed in section 9 [<i>Execution and certification of documents</i>] of proposed CMRA Regulation 11-501 <i>Definitions, Procedure, Civil Liability and Related Matters</i> .
Ontario Regulation 1015 <i>General</i> , s. 175(1) [<i>Insider trading</i>]	This is addressed in subsection 68(5) [<i>Defence to trading or recommending</i>] of the CMA.
Ontario Regulation 1015 <i>General</i> , ss. 175(2)(a), (4) [<i>Insider trading</i>]	This is addressed in subsection 68(4) [<i>Defence to trading – agent or trustee</i>] of the CMA.
Ontario Regulation 1015 <i>General</i> , ss. 175(2)(b)-(c) [<i>Insider trading</i>]	This is addressed in subsection 68(3) [<i>Defence to trading – automatic plan or legal obligation</i>] of the CMA.
Ontario Regulation 1015 <i>General</i> , s. 175(3) [<i>Insider trading</i>]	This is addressed under subsection 68(1) [<i>Defence to trading, tipping or recommending</i>] and paragraph 114(b) [<i>Offences re: actions of employees, agents</i>] of the CMA.
Ontario Regulation 1015 <i>General</i> , s. 175(5)(a) [<i>Insider trading</i>]	This is addressed in subsection 68(2) [<i>Defence to trading – other person’s knowledge</i>] of the CMA.
Ontario Regulation 1015 <i>General</i> , s. 175(5)(b) [<i>Insider trading</i>]	This is addressed in subsection 68(6) [<i>Defence to tipping</i>] of the CMA.
Ontario Regulation 1015 <i>General</i> , s. 246	We did not carry forward this rule.
Ontario Regulation 1015 <i>General</i> , s. 247	We did not carry forward this rule.
Ontario Securities Commission Rule 11-501 <i>Electronic Delivery of Documents</i>	We carried forward this rule in section 8 [<i>Electronic delivery of documents</i>] of proposed CMRA Regulation 11-501 <i>Definitions, Procedure, Civil Liability and Related Matters</i> .
Ontario Securities Commission Rule 14-501 [<i>Local</i>] <i>Definitions</i>	Paragraph 1.1(1)(c) of this rule is addressed in subsection 1(3) [<i>Definitions</i>] of proposed CMRA Regulation 11-501 <i>Definitions, Procedure, Civil Liability and Related Matters</i> .
PEI Local Rule 12-501 <i>Exemption for Discretionary Exemptions applied for before March 17, 2008 (from provisions not in force in Prince Edward Island before March 17, 2008)</i>	We did not carry forward this rule.
PEI Local Rule 15-501 <i>Exemption of Certain Contracts Issued by Insurance Companies from Prince Edward Island Securities Laws</i>	This is addressed in section 2 [<i>Definitions</i>] of the CMA.

Local Rule	Proposal
PEI Local Rule 15-502 <i>Procedures for Hearings before the Superintendent or before a Delegate of the Superintendent</i>	We did not carry forward this rule.
PEI Securities Regulations, ss. 2(1)[<i>Publication of rules</i>], 2(2) [<i>Effective date</i>]	This is addressed in sections 205 [<i>Notice of proposed regulation</i>] and 209 [<i>Coming into force of regulations</i>] of the CMA.
PEI Securities Regulations, s. 2(3) [<i>Forms adopted</i>]	We did not carry forward this rule.
Saskatchewan Local Instrument 11-501 <i>Conflicts of Interest</i>	We did not carry forward this instrument.
Saskatchewan Local Instrument 14-501 <i>Definitions</i>	We did not carry forward this instrument.
Saskatchewan General Ruling/Order 48-901 <i>Listing Representations</i>	This is addressed in subsection 60(4) [<i>Prohibited representations – Listing on an exchange</i>] of the CMA.
Saskatchewan Securities Commission (Regulation Procedures) Regulations	This is addressed in sections 202 [<i>Regulations</i>], 205 [<i>Notice of proposed regulation</i>], 206 [<i>Submission of regulations to Council of Ministers</i>], 209 [<i>Coming into force of regulations</i>] and 210 [<i>Automatic revocation of certain regulations</i>] of the CMA.
Saskatchewan Securities Regulations, s. 3 [<i>Disclosure of securities beneficially owned</i>]	This is addressed in section 6 [<i>Disclosure of securities beneficially owned</i>] of proposed CMRA Regulation 11-501 <i>Definitions, Procedure, Civil Liability and Related Matter</i> .
Saskatchewan Securities Regulations, s. 4 [<i>Deemed holding company or parent company</i>]	This is addressed in subsection 6(4) [<i>Disclosure of securities beneficially owned</i>] of proposed CMRA Regulation 11-501 <i>Definitions, Procedure, Civil Liability and Related Matter</i> .
Saskatchewan Securities Regulations, ss. 173.1(1)-(2) [<i>Exemption from liability</i>]	This is addressed in subsection 68(5) [<i>Defence to trading or recommending</i>] of the CMA.
Saskatchewan Securities Regulations, s. 173.1(2) [<i>Exemption from liability</i>]	We did not carry forward this rule.
Saskatchewan Securities Regulations, ss. 173.1(3)(a), (5) [<i>Exemption from liability</i>]	This is addressed in subsection 68(4) [<i>Defence to trading – agent or trustee</i>] of the CMA.
Saskatchewan Securities Regulations, ss. 173.1(3)(b)-(c) [<i>Exemption from liability</i>]	This is addressed in subsection 68(3) [<i>Defence to trading – automatic plan or legal obligation</i>] of the CMA.
Saskatchewan Securities Regulations, s. 173.1(4) [<i>Exemption from liability</i>]	This is addressed under subsection 68(1) [<i>Defence to trading, tipping or recommending</i>] and paragraph 114(b) [<i>Offences re: actions of employees, agents</i>] of the CMA.
Saskatchewan Securities Regulations, s. 173.1(6)(a) [<i>Exemption from liability</i>]	This is addressed in subsection 68(2) [<i>Defence to trading – other person’s knowledge</i>] of the CMA.
Saskatchewan Securities Regulations, s. 173.1(6)(b) [<i>Exemption from liability</i>]	This is addressed in subsection 68(6) [<i>Defence to tipping</i>] of the CMA.

Local Rule	Proposal
Saskatchewan Securities Regulations, s. 175 [<i>Execution and certification of documents</i>]	This is addressed in section 9 [<i>Execution and certification of documents</i>] of proposed CMRA Regulation 11-501 <i>Definitions, Procedure, Civil Liability and Related Matter</i> .
Yukon Local Rule 11-802 <i>Rule respecting the Implementation of CSA Instruments and Policies</i>	We did not carry forward this rule.
Yukon Local Rule 11-804 <i>Rule to make local amendments to CSA Instruments implemented in Yukon</i>	We did not carry forward this rule.
Yukon Local Rule 12-501 <i>Exemption for Discretionary Exemptions</i>	We did not carry forward this rule.
Yukon Local Rule 15-501 <i>Exemption of Certain Contracts Issued by Insurance Companies from Yukon Securities Laws</i>	This is addressed in section 2 [<i>Definitions</i>] of the CMA.

APPENDIX C
Proposed Disposition of Local Civil Liability Rules
(Effective as of March 2, 2015)

This list does not include fee-related rules, which will be dealt with by the fee proposal.

Local Rule	Proposal
BC Securities Rules, s. 184.1 <i>[Document prescribed for section 132.1 of the Act]</i>	This is addressed in section 15 <i>[Disclosure document prescribed for subsection 122(1) of the Act]</i> of proposed CMRA Regulation 11-501 <i>Definitions, Procedure, Civil Liability and Related Matters</i> .
BC Securities Rules, s. 184.2 <i>[Document and time period prescribed for section 135.1 of the Act]</i>	We carried forward this rule in section 16 <i>[Disclosure document prescribed for paragraph 128(c) of the Act]</i> of proposed CMRA Regulation 11-501 <i>Definitions, Procedure, Civil Liability and Related Matters</i> .
BC Securities Rules, s. 184.3 <i>[Document prescribed for section 138.1 of the Act]</i>	We carried forward this rule in section 21 <i>[Disclosure document and circumstances prescribed for section 142 of the Act]</i> of proposed CMRA Regulation 11-501 <i>Definitions, Procedure, Civil Liability and Related Matters</i> .
BC Securities Rules, s. 184.4 <i>[Limits on liability]</i>	This is addressed in subsection 129(2) <i>[Amount of damages]</i> of the CMA.
BC Securities Rules, s. 185 <i>[Amount prescribed for section 139 of the Act]</i>	We carried forward this rule in section 19 <i>[Rescission of purchase – mutual fund security]</i> of proposed CMRA Regulation 11-501 <i>Definitions, Procedure, Civil Liability and Related Matters</i> .
BC Securities Rules, s. 185.1 <i>[Market capitalization calculation]</i>	We carried forward this rule in section 23 <i>[Definitions]</i> of proposed CMRA Regulation 11-501 <i>Definitions, Procedure, Civil Liability and Related Matters</i> .
BC Securities Rules, s. 185.2 <i>[Definitions]</i>	We carried forward this rule in section 23 <i>[Definitions]</i> of proposed CMRA Regulation 11-501 <i>Definitions, Procedure, Civil Liability and Related Matters</i> .
BC Securities Rules, s. 185.3 <i>[Prescribed trades subject to civil liability remedy]</i>	We carried forward this rule in section 24 <i>[Prescribed trades subject to civil liability remedy]</i> of proposed CMRA Regulation 11-501 <i>Definitions, Procedure, Civil Liability and Related Matters</i> .
Ontario Regulation 1015 <i>General</i> , s. 248	We did not carry forward this rule.
Ontario Regulation 1015 <i>General</i> , s. 249	This is addressed in section 23 <i>[Definitions]</i> of proposed CMRA Regulation 11-501 <i>Definitions, Procedure, Civil Liability and Related Matters</i> .
Ontario Regulation 1015 <i>General</i> , s. 250	This is addressed in subsection 163(4) <i>[Definitions]</i> of the CMA.
Ontario Regulation 1015 <i>General</i> , s. 251	This is addressed in section 23 <i>[Definitions]</i> of proposed CMRA Regulation 11-501 <i>Definitions, Procedure, Civil Liability and Related Matters</i> .

Local Rule	Proposal
Ontario Regulation 1015 <i>General</i> , s. 252	We did not carry forward this rule.
Saskatchewan Securities Regulations, s. 173.2 [<i>Interpretation of Part</i>]	We did not carry forward this rule.
Saskatchewan Securities Regulations, s. 173.3 [<i>Interpretation of Part XVIII.1 of the Act</i>]	This is addressed in subsection 163(4) [<i>Definitions</i>] of the CMA.
Saskatchewan Securities Regulations, s. 173.4 [<i>Application of Part XVIII.1 of the Act</i>]	We did not carry forward this rule.

APPENDIX D
Table of Concordance
CMRA Regulation 21-501 *Certain Capital Market Participants*

The table identifies the current provision(s), if any, that are the primary source(s) for each provision of CMRA Regulation 21-501 *Certain Capital Market Participants*. Although not identified in this table, comparable provisions may also exist in other CMR Jurisdictions. We modified the current provision(s) that are the primary source, if necessary, to reflect the CMA, drafting conventions and harmonize with similar provisions in other CMR Jurisdictions. See the discussion of the proposed Regulation in the commentary for further information.

CMRA Regulation 21-501	Primary Source(s)
1. Definitions	
“CUB security”	Ontario Securities Regulation 1015, s. 152
“CUB system”	Ontario Securities Regulation 1015, s. 152
“NI 45-106”	New
2. Requirement to provide information to clients	Securities Act (British Columbia), s. 30(2)
3. Bourse de Montréal Inc.	BC Instrument 21-501 <i>Recognition of Exchanges, Self Regulatory Bodies and Jurisdictions</i> , s. 2(d)
4. Auditor of member	
(1) Auditor of member	Securities Act (Ontario), s. 21.9(1)
(2) Selection of auditor	Securities Act (Ontario), s. 21.9(2)
(3) Panel of auditors	Securities Act (Ontario), s. 21.9(3)
(4) Auditor	Securities Act (Ontario), s. 21.9(4)
(5) Examination and report	Securities Act (Ontario), s. 21.9(5)
5. Restriction on shareholdings of recognized exchange	Ontario Securities Regulation 261/02, s. 1
6. Trade reporting for CUB securities	Ontario Securities Regulation 1015, s. 154 and s.158

APPENDIX E
Proposed Disposition of Local Recognized and Designated Entities Rules
(Effective as of March 2, 2015)

This list does not include fee-related rules, which will be dealt with by the fee proposal.

Local Rule	Proposal
BC Instrument 21-501 <i>Recognition of Exchanges, Self Regulatory Bodies, and Jurisdictions</i>	We carried forward subsection 2(d) of this instrument in section 3 [<i>Bourse de Montreal Inc.</i>] of proposed CMRA Regulation 21-501 <i>Certain Capital Market Participants</i> .
BC Instrument 21-502 <i>Exemption from Certain Filing Requirements for Out-of-province Alternative Trading Systems</i>	We did not carry forward this instrument.
BC Instrument 21-504 <i>Exemption from Filing Period Requirement for Change in Form 21-101F1 Exhibit N</i>	We did not carry forward this instrument.
BC Instrument 22-502 <i>Registration by the Investment Industry Regulatory Organization of Canada</i>	We did not carry forward this instrument.
BC Instrument 24-501 <i>Exemption from the Filing Requirements of National Instrument 24-101 Institutional Trade Matching and Settlement</i>	We did not carry forward this instrument.
Ontario Securities Commission Recognition Order 21-901 <i>Recognition of Certain Stock Exchanges</i>	We did not carry forward this order.
Ontario Securities Commission Rule 23-501 <i>Designation as Market Participant</i>	We did not carry forward this rule. The definition of “information processor” in NI 21-101 has been amended to refer to subsection 17(1) [<i>Designation of entities</i>] of the CMA.
Ontario Securities Commission Rule 24-501 <i>Designation as Market Participant</i>	We did not carry forward this rule.
Ontario Securities Regulation 1015 <i>General, s. 154 [Trade reporting]</i>	We carried forward this rule in section 6 [<i>Trade reporting for CUB securities</i>] of proposed CMRA Regulation 21-501 <i>Certain Capital Market Participants</i> .

Local Rule	Proposal
<p>Ontario Securities Regulation 1015 <i>General</i>, ss. 152-153 [<i>General</i>], ss. 155-156 [<i>Market-making</i>], ss. 157-159 [<i>General</i>]</p>	<p>s. 152 [General] We updated the definitions and carried them forward in section 1 [<i>Definitions</i>] of proposed CMRA Regulation 21-501 <i>Certain Capital Market Participants</i></p> <p>s. 153 [General] We did not carry this section forward.</p> <p>s. 154 [Trade Reporting] We carried this section forward in subsections 6(1)-(4) [<i>Trade reporting for CUB securities</i>] of proposed CMRA Regulation 21-501 <i>Certain Capital Market Participants</i>.</p> <p>ss. 155-6 [Market-Making] We did not carry these sections forward.</p> <p>ss. 157 [General] We did not carry this section forward.</p> <p>s. 158 [General] We carried this section forward in subsection 6(5) [<i>Trade reporting for CUB securities</i>] of proposed CMRA Regulation 21-501 <i>Certain Capital Market Participants</i>.</p> <p>ss. 159 [General] We did not carry this section forward.</p>
<p>Ontario Securities Regulation 261/02 <i>Toronto Stock Exchange</i>, s. 1 [<i>Restriction on shareholdings</i>]</p>	<p>We carried forward this rule in section 5 [<i>Restriction on shareholdings of recognized exchange</i>] of proposed CMRA Regulation 21-501 <i>Certain Capital Market Participants</i>.</p>
<p>Saskatchewan General Ruling/Order 21-901 <i>In the Matter of Market Facilitation Activities by Issuers in Their Own Securities</i></p>	<p>This is addressed under section 94 [<i>Exemptions orders</i>] of the CMA.</p>
<p>Yukon Local Rule 25-501 <i>Designated Rating Organizations</i></p>	<p>We did not carry forward this rule.</p>

APPENDIX F
Table of Concordance
CMRA Regulation 31-501 *Registration Requirements, Exemptions and Related Matters*

The table identifies the current provision(s), if any, that are the primary source(s) for each provision of CMRA Regulation 31-501 *Registration Requirements, Exemptions and Related Matters*. Although not identified in this table, comparable provisions may also exist in other CMR Jurisdictions. We modified the current provision(s) that are the primary source, if necessary, to reflect the CMA, drafting conventions and harmonize with similar provisions in other CMR Jurisdictions. See the discussion of the proposed Regulation in the commentary for further information.

CMRA Regulation 31-501	Primary Source(s)
1. Definitions	
“chief compliance officer”	new
“founder”	National Instrument 45-106 <i>Prospectus Exemptions</i>
“investment dealer”	National Instrument 31-103 <i>Registration Requirements, Exemptions and Ongoing Registrant Obligations</i>
“mutual fund dealer”	National Instrument NI 31-103 <i>Registration Requirements, Exemptions and Ongoing Registrant Obligations</i>
“NI 31-103”	new
“OTC issuer”	BC Conditions of Registration (Investment Dealers with a BC Office that Trade in the U.S. Over-the-Counter Markets), s. 1
“OTC-quoted securities”	Multilateral Instrument 51-105 <i>Issuers Quoted in the U.S. Over-the-Counter Markets</i> , s. 1
“ultimate designated person”	new
2. Interpretation	Multilateral Instrument 32-102, s. 1
3. Auditor of registrant	Securities Act (Ontario), s. 21.10(1) and (2)
4. Registered dealer acting as principal	Securities Act (British Columbia), s. 51(2) and (3)
5. Investor compensation fund	Ontario Securities Regulation 1015, s. 110(1) BC Securities Rules, s. 23(1) BC Instrument 32-506, s. 3
6. Over-the-counter trading and reporting	
(1) Trading in OTC-quoted securities	new
(2) Trading in OTC-quoted securities	BC Conditions of Registration (Investment Dealers with a BC Office that Trade in the U.S. Over-the-Counter Markets), Introduction and Form A
(3) Monitoring, recordkeeping and reporting	BC Conditions of Registration (Investment Dealers with a BC Office that Trade in the U.S. Over-the-Counter Markets), s. 3
(4)-(6) Establishing beneficial ownership	BC Conditions of Registration (Investment Dealers with a BC Office that Trade in the U.S. Over-the-Counter Markets), s. 4-5
(7)-(10) Responsibility of designated individual	BC Conditions of Registration (Investment Dealers with a BC Office that Trade in the U.S. Over-the-Counter Markets), s. 6-9
7. Ontario Financing Authority, British	Ontario Securities Regulation 85/05, s. 1

CMRA Regulation 31-501		Primary Source(s)
Columbia Investment Management Corporation and New Brunswick Investment Management Corporation		
8.	Non-resident investment fund manager	
(1)	General conditions to exemptions	new
(2)	No active solicitation in a CMR Jurisdiction	Multilateral Instrument 32-102, s. 3
(3)-(6)	Permitted clients	Multilateral Instrument 32-102, s. 4
(7)	Notice to security holders	Multilateral Instrument 32-102, s. 5

APPENDIX G
Proposed Disposition of Local Registration Related Rules
(Effective as of March 2, 2015)

This list does not include fee-related rules, which will be dealt with by the fee proposal.

Local Rule	Proposal
BC Instrument 31-508 <i>Transition Relief from the Requirement to Register as an Investment Fund Manager</i>	We did not carry forward this instrument.
BC Instrument 31-509 <i>Transitional Relief from Requirements to provide Dispute Resolution Services</i>	We did not carry forward this instrument.
BC Instrument 32-503 <i>Registration Exemption for Approved Persons of the Mutual Funds Dealers Association of Canada</i>	We did not carry forward this instrument.
BC Instrument 32-506 <i>Exemption from Compensation or Contingency Trust Fund</i>	We carried forward section 3 of this instrument in section 5 [<i>Investor compensation fund</i>] of proposed CMRA Regulation 31-501 <i>Registration Requirements, Exemptions and Related Matters</i> .
BC Instrument 32-509 <i>Continuation of Transition Provisions for Persons and Companies Adding a Jurisdiction</i>	We did not carry forward this instrument.
BC Instrument 32-512 <i>Exemption from Time Limits on Examination Requirements for Dealing Representatives of Scholarship Plan Dealers</i>	We did not carry forward this instrument.
BC Instrument 32-513 <i>Registration Exemption for Trades in connection with certain Prospectus Distributions</i>	We did not carry forward this instrument.
BC Instrument 32-517 <i>Exemption from dealer registration requirements for trades in securities of mortgage investment entities</i>	We did not carry forward this instrument.
BC Instrument 32-522 <i>Exemption from the Registration Requirement for Trades in Short-term Debt Instruments</i>	We did not carry forward this instrument.
BC Instrument 32-523 <i>Exemption from the requirement to register for international dealers</i>	We did not carry forward this instrument.

Local Rule	Proposal
BC Instrument 32-524 <i>Exemption from the requirement to register for international dealers</i>	We did not carry forward this instrument.
BC Instrument 33-506 <i>Exemption from Cold Calling Restrictions for Registered Dealers</i>	We did not carry forward this instrument.
BC Instrument 33-513 <i>Exemption from Capital and Bonding Requirements for MFDA Members</i>	We did not carry forward this instrument.
BC Instrument 33-514 <i>Exemption from Capital and Bonding Requirements for Certain Portfolio Managers</i>	We did not carry forward this instrument.
BC Instrument 33-515 <i>Exemption from Capital and Bonding Requirements for Investment Industry Regulatory Organization of Canada Members</i>	We did not carry forward this instrument.
BC Instrument 33-518 <i>Exemption for MFDA members from certain requirements of NI 31-103</i>	This will be addressed in a future CSA amendment to NI 31-103.
BC Instrument 33-519 <i>Exemption for IIROC members from certain requirements of NI 31-103</i>	This will be addressed in a future CSA amendment to NI 31-103.
BC Interpretation Note 33-705 <i>Conditions of Registration for Investment Dealers with a BC Office that Trade in the U.S. Over-the-Counter Markets</i>	We carried forward this note in section 6 [<i>Over-the-counter trading and reporting</i>] of proposed Companion Policy 31-501CP to proposed CMRA Regulation 31-501 <i>Registration Requirements, Exemptions and Related Matters</i> .
BC Conditions of Registration <i>Investment Dealers with a BC Office that Trade in the U.S. Over-the-Counter Markets</i>	We carried forward these conditions in section 6 [<i>Over-the-counter trading and reporting</i>] of proposed CMRA Regulation 31-501 <i>Registration Requirements, Exemptions and Related Matters</i> .
BC Securities Rules, s. 5 [<i>Interpretation</i>]	We did not carry forward this rule.
BC Securities Rules, s. 6 [<i>Limited Dealer – Mortgage Brokers Act Regulations</i>]	We did not carry forward this rule.
BC Securities Rules, s. 14 [<i>Fair dealing with clients</i>]	This is addressed in section 55 [<i>Duty to client</i>] of the CMA.
BC Securities Rules, s. 23 [<i>Compensation or contingency trust fund</i>]	This is addressed in section 5 [<i>Investor compensation fund</i>] of proposed CMRA Regulation 31-501 <i>Registration Requirements, Exemptions and Related Matters</i> .
BC Securities Rules, s. 94 [<i>Submission of advertising</i>]	We did not carry forward this rule.

Local Rule	Proposal
NB Local Rule 31-502 <i>Supplementary Registration Requirements</i>	We did not carry forward this rule.
NB Blanket Order 31-504 <i>Exemption from Certain Sections of NI 31-103 in Connection With Transition and Grandfathering Matters</i>	We did not carry forward this order.
NB Blanket Order 31-507 <i>Exemption from Section 3.3 of NI 31-103 for Representatives of Scholarship Plan Dealers</i>	We did not carry forward this order.
NB Blanket Order 31-515 <i>Exemption From the Registration Requirement in NI 31-103 for Trades in Short-Term Debt Instruments</i>	We did not carry forward this order.
NB Blanket Order 31-518 <i>Registration Exemption Enabling a Corporation to Receive Directed Sales Commission or Fees From a Member of the Mutual Fund Dealers Association of Canada</i>	We did not carry forward this order.
NB Blanket Order 31-522 <i>Transitional Relief from the Requirement to Provide Relationship Disclosure Information Prescribed by Section 14.2(1) of NI 31-103 for IIROC Member Firms</i>	This will be addressed in a future CSA amendment to NI 31-103.
NB Blanket Order 31-523 <i>Transitional Relief from the Requirement to Provide Relationship Disclosure Information Prescribed by Section 14.2(1) of NI 31-103 for MFDA Member Firms</i>	This will be addressed in a future CSA amendment to NI 31-103.
Ontario Securities Commission Rule 31-505 <i>Conditions of Registration</i>	This is addressed in section 55 [<i>Duty to client</i>] of the CMA.
Ontario Securities Commission Rule 32-501 <i>Direct Purchase Plans</i>	We did not carry forward this rule.
Ontario Securities Commission Rule 33-504 <i>Compliance with Section 42</i>	We did not carry forward this rule.
Ontario Securities Commission Rule 35-502 <i>Non-Resident Advisers, s. 7.2 [Commodity pool programs]</i>	We did not carry forward this rule.
Ontario Securities Commission Rule 35-502 <i>Non-Resident Advisers, s. 7.3 [Sub-adviser for a registrant]</i>	We did not carry forward this rule.
Ontario Securities Commission Rule 35-502 <i>Non-Resident Advisers, s. 7.6 [Advising pension funds of affiliates]</i>	We did not carry forward this rule.

Local Rule	Proposal
Ontario Securities Commission Rule 35-503 <i>Trades by Certain Members of the Toronto Stock Exchange</i>	We did not carry forward this rule.
Ontario Securities Commission Decision <i>Laurence Ginsberg and Dealing Representatives of Exempt Market Dealers and Scholarship Plan Dealers</i>	We did not carry forward these exemptions.
Ontario Securities Regulation 85/05 <i>Exemptions Respecting the Ontario Financing Authority</i> , s. 1 [Exemption re s. 25 of the Act]	We carried forward this rule in section 7 [<i>Ontario Financing Authority, British Columbia Investment Management Corporation and New Brunswick Investment Management Corporation</i>] of proposed CMRA Regulation 31-501 <i>Registration Requirements, Exemptions and Related Matters</i> .
Ontario Securities Regulation 1015 <i>General</i> , s. 110 [Conditions of registration – capital requirements]	This is addressed in section 5 [<i>Investor compensation fund</i>] of proposed CMRA Regulation 31-501 <i>Registration Requirements, Exemptions and Related Matters</i> .
Ontario Securities Regulation 1015 <i>General</i> , s. 134 [Examination]	This is addressed under section 54 [<i>Requirement to keep records</i>] of the CMA.
PEI Blanket Order No. 31-511 <i>Exemption from the Registration Requirement for Trades in Short-Term Debt Instruments</i>	We did not carry forward this order.
PEI Blanket Order No. 31-514 <i>Exemption from the Registration Requirement in NI 31-103 for International Dealers</i>	We did not carry forward this order.
PEI Blanket Order No. 31-515 <i>Exemption from the Registration Requirement in NI 31-103 for International Advisors</i>	We did not carry forward this order.
PEI Blanket Order No. 31-517 <i>Exemption from the Requirement to Provide Dispute Resolution Services Prescribed by Section 13.6 of NI 31-1032</i>	We did not carry forward this order.
PEI Blanket Order No. 31-518 <i>I/ROC 2014 CRM2 Amendments</i>	This is addressed in a future CSA amendment to NI 31-103.
PEI Blanket Order No. 31-519 <i>MFDA 2014 CRM2 Amendments</i>	This is addressed in a future CSA amendment to NI 31-103.
PEI Local Rule 33-502 <i>Scholarship Plan Dealers – Disclosure of Sales Charges</i>	We did not carry forward this rule.
PEI Blanket Order No. 33-503 <i>Calls to Residences by Registrants – Cold Calling</i>	We did not carry forward this order.

Local Rule	Proposal
PEI Blanket Order No. 33-504 <i>Registration Exemption Enabling a Corporation of an Individual Registrant of a Mutual Fund Dealer or Investment Dealer to Receive Directed Sales Commissions or Fees</i>	We did not carry forward this order.
Saskatchewan General Order 31-924 <i>Transitional Relief from Complying with Consequential Amendments to NI 13-101, NI 31-102 and NI 55-102</i>	We did not carry forward this order.
Saskatchewan General Ruling/Order 31-927 <i>In the Matter of The Securities Act, 1988, (the Act) and In the Matter of The Investment Industry Regulatory Organization of Canada</i>	This will be addressed in a future CSA amendment to NI 31-103.
Saskatchewan General Ruling/Order 31-928 <i>In the Matter of The Securities Act, 1988, (the Act) and In the Matter of The Mutual Fund Dealers Association of Canada</i>	This will be addressed in a future CSA amendment to NI 31-103. .
Saskatchewan Local Instrument 32-501 <i>Deposit Agents (suspended)</i>	We did not carry forward this instrument.
Saskatchewan General Order 45-918 <i>Registration Exemption for Trades in Connection with Certain Prospectus Exempt Distributions</i>	We did not carry forward this order.
Saskatchewan Securities Regulations, s. 23 <i>[Compensation fund or contingency trust fund]</i>	This is addressed in section 5 <i>[Investor compensation fund]</i> of proposed CMRA Regulation 31-501 <i>Registration Requirements, Exemptions and Related Matters</i> .
Saskatchewan Securities Regulations, s. 46 <i>[Summons for an examination]</i>	This is addressed under section 54 <i>[Requirement to keep records]</i> of the CMA.
Saskatchewan Securities Regulations, s. 56 <i>[Audit costs]</i>	We did not carry forward this rule.

APPENDIX H
Table of Concordance
CMRA Regulation 41-501 *Prospectus Requirements and Exemptions*

The table identifies the current provision(s), if any, that are the primary source(s) for each provision of CMRA Regulation 41-501 *Prospectus Requirements and Exemptions*. Although not identified in this table, comparable provisions may also exist in other CMR Jurisdictions. We modified the current provision(s) that are the primary source, if necessary, to reflect the CMA, drafting conventions and harmonize with similar provisions in other CMR Jurisdictions. See the discussion of the proposed Regulation in the commentary for further information.

CMRA Regulation 41-501	Primary Source(s)
1. Definitions and interpretation	[To be finalized when Parts 5 and 6 of Regulation 41-501 are complete. At this time, there are no definitions used in multiple sections.]
2. Refusal to issue receipt for prospectus	BC Securities Rules, s. 120(2) Securities Act (Ontario), s. 61(2)
3. Permitted activities under preliminary prospectus	Securities Act (British Columbia), s. 78(2) Securities Act (Ontario), s. 65(2) and 66
4. Material given on distribution	Securities Act (British Columbia), s. 82 Securities Act (Ontario), s. 69
5. Obligation to send prospectus	Securities Act (British Columbia), s. 83(1) and (2) Securities Act (Ontario), s. 71(1)
6. Publication of research reports during distributions	
(1) Definitions	OSC Rule 48-501, s. 1.1
(2) Interpretation	OSC Rule 48-501, s. 1.2
(3) Deemed re-commencement of a restricted period	OSC Rule 48-501, s. 2.3
(4) Compilations and industry research	OSC Rule 48-501, s. 4.1
(5) Issuers of highly-liquid securities	OSC Rule 48-501, s. 4.2
7. Trust indentures	
(1) Definitions	Business Corporations Act (British Columbia), s. 90
(2) Application	Business Corporations Act (British Columbia), s. 91(1)
(3)-(7) Eligibility of trustee	Business Corporations Act (British Columbia), s. 92
(8)-(12) Persons may request information trustee	Business Corporations Act (British Columbia), s. 93 Business Corporations Act (Ontario), s. 52(1) and 52(4)
(13) Information for trustee	Business Corporations Act (British Columbia), s. 94
(14) Evidence of compliance with trust indenture	Business Corporations Act (British Columbia), s. 95
(15) Contents of evidence of compliance	Business Corporations Act (British Columbia), s. 96
(16)-(17) Additional evidence of	Business Corporations Act (British Columbia), s. 97

CMRA Regulation 41-501		Primary Source(s)
	compliance	Business Corporations Act (Ontario), s. 49
(18)	Additional evidence of compliance	Business Corporations Act (Ontario), s. 49(4)
(19)-(20)	Notice of default	Business Corporations Act (British Columbia), s. 98 Business Corporations Act (Ontario), s. 51(1)
(21)	Notice of default	Business Corporations Act (Ontario), s. 51(2)
(22)	Trustee's duty of care	Business Corporations Act (British Columbia), s. 99
(23)	Reliance on statements	Business Corporations Act (British Columbia), s. 100
(24)	Trustee not relieved from duties	Business Corporations Act (British Columbia), s. 101
8.	Restricted shares	
(1)	Definitions	OSC Rule 56-501, s. 1.1
(2)-(4)	Application	OSC Rule 56-501, s. 1.2
(5)-(7)	Prospectus exemptions not available	OSC Rule 56-501, s. 3.2
(8)-(9)	Determination of status	OSC Rule 56-501, s. 4.1
9.	Capital accumulation plans	[Not included for publication]
10.	Bonus or finder's fee	[Not included for publication]
11.	Existing security holder	[Not included for publication]
12.	Crowdfunding	[Not included for publication]
13.	Mortgages	[Not included for publication]
14.	Cooperative association	[Not included for publication]
15.	Credit union	[Not included for publication]
16.	Real estate securities	[Not included for publication]
17.	Provincial economic development programs	[Not included for publication]
18.	Delivery of offering memorandum	[Not included for publication]
19.	Report of exempt distribution	[Not included for publication]

APPENDIX I
Proposed Disposition of Local Prospectus Requirements Related Rules
(Effective as of March 2, 2015)

This list does not include fee-related rules, which will be dealt with by the fee proposal.

Local Rule	Proposal
BC Securities Rules, s. 120 [<i>Refusal to issue a receipt for prospectus</i>]	We carried forward this rule in section 2 [<i>Refusal to issue receipt for prospectus</i>] of proposed CMRA Regulation 41-501 <i>Prospectus Requirements and Exemptions</i> .
BC Securities Rules, s. 188 [<i>Escrow agent</i>]	We did not carry forward this rule.
NB Blanket Order 41-502 <i>Capital Pool Companies</i>	We did not carry forward this order.
Ontario Securities Commission Rule 48-501 <i>Trading During Distributions, Formal Bids and Share Exchange Transactions</i>	We carried forward sections 1.2 [<i>Interpretation</i>], 2.3 [<i>Deemed re-commencement of a restricted period</i>], 4.1 [<i>Compilations and industry research</i>] and 4.2 [<i>Issuers of highly-liquid securities</i>] of this rule in section 6 [<i>Publication of research reports during distributions</i>] of proposed CMRA Regulation 41-501 <i>Prospectus Requirements and Exemptions</i> .
Ontario Securities Commission Rule 41-801 <i>Implementing National Instrument 41-101 General Prospectus Requirements</i>	We did not carry forward this rule.
Ontario Securities Commission Rule 56-501 <i>Restricted Shares</i>	We carried forward sections 1.2 [<i>Application</i>], 3.2 [<i>Prospectus exemptions not available</i>] and 4.1 [<i>Determination of status</i>] of this rule in section 8 [<i>Restricted shares</i>] of proposed CMRA Regulation 41-501 <i>Prospectus Requirements and Exemptions</i> .
Saskatchewan General Ruling/Order 45-916 <i>Exemption for Solicitations of Expressions of Interest</i>	We did not carry forward this ruling/order.
Saskatchewan General Ruling/Order 48-901 <i>Listing Representations</i>	This is addressed in paragraph 60(4)(b) [<i>Prohibited representations – Listing on an exchange</i>] of the CMA.

APPENDIX J
Table of Concordance
CMRA Regulation 51-501 *Disclosure and Proxies*

The table identifies the current provision(s), if any, that are the primary source(s) for each provision of CMRA Regulation 51-501 *Disclosure and Proxies*. Although not identified in this table, comparable provisions may also exist in other CMR Jurisdictions. We modified the current provision(s) that are the primary source, if necessary, to reflect the CMA, drafting conventions and harmonize with similar provisions in other CMR Jurisdictions. See the discussion of the proposed Regulation in the commentary for further information.

CMRA Regulation 51-501	Primary Source(s)
1. Definitions	
“custodian”	Securities Act (Ontario), s. 49(6) BC Securities Rules, s. 181(2). “custodian”
“listed or quoted issuer”	NB Rule 51-504, s. 1
“partnership agreement”	New
“trust instrument”	New
2. Interpretation	New
3. Issuers listed or quoted on certain market places	
(1) Application	NB Rule 51-504, s. 2
(2) Reporting requirements	NB Rule 51-504, s. 3(1)
(3) Reporting requirements	New
4. Meeting information and voting instructions	BC Securities Rules, s. 182
5. Voting if proxies provided	Securities Act (British Columbia), s. 118(1) and (2), s. 119(1) Securities Act (Ontario), s. 87

APPENDIX K
Summary of Local Ongoing Requirements for Issuers
and Insiders (Continuous Disclosure) Rules
(Effective as of March 2, 2015)

This list does not include fee-related rules, which will be dealt with by the fee proposal.

Local Rule	Proposal
BC Instrument 51-512 <i>Certain Private Placements</i>	We carried forward section 2 [Definitions] in section 1[Definitions] of Multilateral Instrument 51-105 <i>Issuers Quoted in the U.S. Over-the-Counter Markets</i> and section 8 [Exemption from MI 51-105 for issuers who have securities listed on a designated exchange, whose only listed or quoted securities are non-convertible debt securities, or who distribute securities to permitted clients] of this instrument in subsection 18(2) [Exemption] of Multilateral Instrument 51-105 <i>Issuers Quoted in the U.S. Over-the-Counter Markets</i> .
BC Instrument 52-512 <i>Exemptions from National Instrument 52-110 Audit Committees</i>	We did not carry forward this instrument.
BC Instrument 57-501 <i>Partial Variation for Cease Trade Orders of Certain Issuers</i>	We did not carry forward this instrument. This will be addressed in the transitions provisions.
BC Instrument 58-501 <i>Disclosure of Corporate Governance Practices</i>	We did not carry forward this order.
BC Securities Rules, s. 1(2) [definitions of auditor, auditors report, Canadian auditor's report, Canadian GAAP, Canadian GAAS, foreign auditor's report, foreign GAAP, foreign GAAS, generally accepted accounting principles, generally accepted auditing standards, Handbook, review engagement report]]	We did not carry forward this rule.
BC Securities Rules, s.3 [Preparation of financial statements]	We did not carry forward this rule.
BC Securities Rules, s. 137 [Reports by control person of a reporting issuer]	We did not carry forward this rule.
BC Securities Rules, s. 158 [Early report by a control person]	We did not carry forward this rule.
BC Securities Rules, s. 159 [Filing in other jurisdictions]	We did not carry forward this rule.

Local Rule	Proposal
BC Securities Rules, s. 181 <i>[Interpretation]</i>	We carried forward the definition of “custodian” in subsection (2) <i>[Interpretation]</i> of this rule in section 1 <i>[Definitions]</i> of proposed CMRA Regulation 51-501 <i>Disclosure and Proxies</i> . We did not carry forward in sections 1 <i>[Definitions]</i> or 2 <i>[Interpretation]</i> , the definitions for “securityholder”, “solicit” and “record date”.
BC Securities Rules, s. 182 <i>[Meeting information and voting instructions]</i>	We carried forward this rule in section 4 <i>[Meeting information and voting instructions]</i> of proposed CMRA Regulation 51-501 <i>Disclosure and Proxies</i> .
New Brunswick Local Rule 51-504 <i>New Brunswick Corporations Listed or Quoted on Certain Marketplaces</i>	We carried forward this rule in section 3 <i>[Issuers listed or quoted on certain market places]</i> of proposed CMRA Regulation 51-501 <i>Disclosure and Proxies</i> .
NB Blanket Order No. 52-502 <i>Exemption from the Requirement to Include Financial Statements Prepared in Accordance with Canadian GAAP Applicable to Publicly Accountable Enterprises in Form 45-106F2 Offering Memorandum for Non-Qualifying Issuers</i>	We did not carry forward this order.
Ontario Securities Commission Rule 35-502 <i>Non-Resident Advisers</i> , s. 7.11 <i>[Disclosure in offering documents]</i>	We did not carry forward this rule.
Ontario Securities Commission Rule 51-801 <i>Implementing National Instrument 51-102 Continuous Disclosure Obligations</i>	We did not carry forward this rule.
Ontario Securities Commission Rule 55-502 <i>Facsimile Filing or Delivery of Insider Reports</i>	We did not carry forward this rule.
Ontario Securities Regulation 1015 <i>General</i> , s. 1(4)	We did not carry forward this rule.
Ontario Securities Regulation 1015 <i>General</i> , s. 3	We did not carry forward this rule.
Ontario Securities Regulation 1015 <i>General</i> , s. 162	This is addressed under section 88 <i>[Cease-trade order – non-compliance]</i> of the CMA.
Ontario Securities Regulation 1015 <i>General</i> , s. 164	We did not carry forward this rule.
Ontario Securities Regulation 1015 <i>General</i> , s. 168	We did not carry forward this rule.
Ontario Securities Regulation 1015 <i>General</i> , s. 173	We did not carry forward this rule.
Ontario Securities Regulation 1015 <i>General</i> , s. 174	We did not carry forward this rule.
Ontario Securities Regulation 1015 <i>General</i> , ss. 246-247	We did not carry forward these rules.

Local Rule	Proposal
Saskatchewan General Ruling/Order 51-905 <i>Varying the Terms of Previously Granted Exemption Orders to Refer to Equivalent Provisions of NI 51-102</i>	We did not carry forward this ruling/order.
Saskatchewan General Ruling/Order 51-909 <i>Waiver of Continuous Disclosure Requirements for Issuers That Have Made Offerings Under the Qualified Investor Exemption</i>	We did not carry forward this ruling/order.
Saskatchewan General Ruling/Order 51-901 <i>Exemption Orders Made Pursuant to Parts XI, XII and XIII of the Act</i>	This is addressed under section 94 [<i>Exemption orders</i>] of the CMA.
Saskatchewan General Ruling/Order 51-904 <i>Curing Issuers' Defaults of Reporting Obligations</i>	This is addressed under section 88 [<i>Cease-trade order – non-compliance</i>] of the CMA.
Saskatchewan General Ruling/Order 51-906 <i>Exemption from Certain Continuous Disclosure Requirements under National Instrument 51-102 Continuous Disclosure Obligations</i>	This is addressed under section 94 [<i>Exemption orders</i>] of the CMA.
Saskatchewan General Ruling/Order 52-904 <i>Certain Issuers Ceasing to be Reporting Issuers in Reorganizations and Take-over Bids</i>	This is addressed under the definition of “reporting issuer” in section 2 [<i>Definitions</i>] of the CMA.
Saskatchewan General Ruling/Order 52-905 <i>Relief from Certification Requirements in Multilateral Instrument 52-109</i>	We did not carry forward this ruling/order.

APPENDIX L
Summary of Local Take-Over Bids and Special Transactions Related Rules
(Effective as of March 2, 2015)

This list does not include fee-related rules, which will be dealt with by the fee proposal.

Local Rule	Proposal
Ontario Securities Commission Rule 62-504 <i>Take-Over Bids and Issuer Bids</i> , Form 62-504F1 <i>Take-Over Bid Circular</i> , Form 62-504F2 <i>Issuer Bid Circular</i> , Form 62-503F3 <i>Directors' Circular</i> , Form 62-504F4 <i>Director's or Officer's Circular</i> and Form 62-504F5 <i>Notice of Change or Notice of Variation</i>	We did not carry forward this rule and its related forms.

APPENDIX M
Table of Concordance
CMRA Regulation 71-501 *International Issuers and Securities Transactions with Persons Outside the CMR Jurisdictions*

The table identifies the current provision(s), if any, that are the primary source(s) for each provision of CMRA Regulation 71-501 *International Issuers and Securities Transactions with Persons Outside the CMR Jurisdictions*. Although not identified in this table, comparable provisions may also exist in other CMR Jurisdictions. We modified the current provision(s) that are the primary source, if necessary, to reflect the CMA, drafting conventions and harmonize with similar provisions in other CMR Jurisdictions. See the discussion of the proposed Regulation in the commentary for further information.

CMRA Regulation 71-501	Primary Source(s)
1. Definitions	
“Canadian underwriter”	BC Instrument 43-501, s. 1
“foreign jurisdiction”	BC Instrument 43-501, s. 1
“foreign underwriter”	BC Instrument 43-501, s. 1
“genuine market”	BC Instrument 72-504, s. 2
“MI 62-104”	BC Rule 71-801, s. 1.1 (c.1)
“NI 41-101”	BC Rule 71-801, s. 1.1 (b.1)
“NI 45-102”	BC Instrument 72-503, s. 2
“NI 71-101”	BC Rule 71-801, s. 1.1 (c)
“qualified market”	BC Instrument 72-503, s. 2
2. Interpretation	BC Rule 71-801, s. 1.1 (e) and (g)
3. Implementing the Multijurisdictional Disclosure System under NI 71-101	
(1) Application	BC Rule 71-801, s. 1.2
(2) Preliminary MJDS prospectus and MJDS prospectus	BC Rule 71-801, s. 2.1
(3) Underwriter certificates for MJDS southbound offerings	BC Rule 71-802, s.1.2
(4)-(5) Application of the regulations to bids for securities of U.S. issuers	BC Rule 71-801, s. 3.1
(6)-(7) Application of the Act and MI 62-104 in respect of MJDS directors’ circulars and MJDS individual director’s or officer’s circulars	BC Rule 71-801, s. 3.2
(8) Submission to jurisdiction and appointment of agent for service of process	OSC Rule 71-801, s. 5.1
4. Distribution of securities to purchasers outside the CMR Jurisdictions	

CMRA Regulation 71-501	Primary Source(s)
(1)-(2) Registration and prospectus exemptions for distributions to purchasers outside of the CMR Jurisdictions	BC Instrument 72-503, s. 3-4
(3) Prospectus certificate exemption for foreign underwriters	BC Instrument 43-501, s. 3
(4)-(5) Exemption for Eurobond offerings	BC Instrument 72-504, s. 3-4

APPENDIX N
Summary of Local Securities Transactions Outside the Jurisdiction Related Rules
(Effective as of March 2, 2015)

This list does not include fee-related rules, which will be dealt with by the fee proposal.

Local Rule	Proposal
BC Instrument 71-501 <i>The Company Act and the Multijurisdictional Disclosure System</i>	We did not carry forward this instrument. This is addressed in section 19.1 of National Instrument 71-101 <i>The Multijurisdictional Disclosure System</i> .
BC Instrument 72-502 <i>Trades in Securities of U.S. Registered Issuers</i>	We are reviewing this instrument, and will publish a revised version of this at a later date.
BC Instrument 72-503 <i>Distribution of Securities outside British Columbia</i>	We carried forward this instrument in section 4 [<i>Distribution of securities to purchasers outside the CMR Jurisdictions</i>] of proposed CMRA Regulation 71-501 <i>International Issuers and Securities Transactions with Persons Outside the CMR Jurisdictions</i> .
BC Instrument 72-504 <i>Distribution of Eurobonds</i>	We carried forward this instrument in section 4 [<i>Distribution of securities to purchasers outside the CMR Jurisdictions</i>] of proposed CMRA Regulation 71-501 <i>International Issuers and Securities Transactions with Persons Outside the CMR Jurisdictions</i> .
BC Instrument 43-501 <i>Exemption from Certificate Requirement for Foreign Underwriters</i>	We carried forward this instrument in section 4 [<i>Distribution of securities to purchasers outside the CMR Jurisdictions</i>] of proposed CMRA Regulation 71-501 <i>International Issuers and Securities Transactions with Persons Outside the CMR Jurisdictions</i> .
BC Rule 71-801 <i>Implementing the Multijurisdictional Disclosure System under National Instrument 71-101</i>	We carried forward this rule in sections 2 [<i>Interpretation</i>] and 3 [<i>Implementing the Multijurisdictional Disclosure System under NI 71-101</i>] of proposed CMRA Regulation 71-501 <i>International Issuers and Securities Transactions with Persons Outside the CMR Jurisdictions</i> , except we did not carry forward Part 4 of this Rule because that is spent.
BC Rule 71-802 <i>Distributions outside of British Columbia under the United States Multijurisdictional Disclosure System</i>	We carried forward this rule in section 3 [<i>Implementing the Multijurisdictional Disclosure System under NI 71-101</i>] of proposed CMRA Regulation 71-501 <i>International Issuers and Securities Transactions with Persons Outside the CMR Jurisdictions</i> .
BC Interpretation Note 72-702 <i>Distribution of Securities to Persons Outside of British Columbia</i>	We carried forward this note in section 1 [<i>Distribution from a CMR Jurisdiction</i>] and section 2 [<i>Indirect Distribution into a CMR Jurisdiction</i>] of Part 2 of CMRA Policy 71-601 <i>Distribution of Securities to Persons Outside CMR Jurisdictions</i> .
NB Local Rule 72-501 <i>Distributions of Securities Outside New Brunswick</i>	We did not carry forward this rule.

Local Rule	Proposal
Ontario Securities Commission Interpretation Note 1 <i>Distributions of Securities Outside of Ontario</i>	We did not carry forward this interpretation note.
Ontario Securities Commission Rule 71-801 <i>Implementing the Multijurisdictional Disclosure System</i>	We carried forward section 5.1 of this rule in section 3 [Implementing the Multijurisdictional Disclosure System under NI 71-101] of proposed CMRA Regulation 71-501 <i>International Issuers and Securities Transactions with Persons Outside the CMR Jurisdictions</i> .
Ontario Securities Commission Rule 71-802 <i>Implementing National Instrument 71-102 Continuous Disclosure and other exemptions relating to foreign issuers</i>	We did not carry forward this rule.
Saskatchewan General Ruling/Order 72-901 <i>Trades to Purchasers Outside of Saskatchewan</i>	We did not carry forward this ruling/order.

APPENDIX O
Table of Concordance
CMRA Regulation 81-501 *Investment Funds*

The table identifies the current provision(s), if any, that are the primary source(s) for each provision of CMRA Regulation 81-501 *Investment Funds*. Although not identified in this table, comparable provisions may also exist in other CMR Jurisdictions. We modified the current provision(s) that are the primary source, if necessary, to reflect the CMA, drafting conventions and harmonize with similar provisions in other CMR Jurisdictions. See the discussion of the proposed Regulation in the commentary for further information.

CMRA Regulation 81-501	Primary Source(s)
1. Definitions	
“investment”	BC Instrument 81-513, s. 1
“investment fund”	new
“principal distributor”	new
“related investment fund”	BC Instrument 81-513, s. 1
“related person”	BC Instrument 81-513, s. 1
2. Related person, significant interest, substantial security holder	BC Instrument 81-513, s. 2
3. Beneficial ownership	BC Instrument 81-513, s. 3
4. Underwriter’s securities exclusion	BC Instrument 81-513, s. 4
5. Section 3 exemption	BC Instrument 81-513, s. 5
6. Investments of investment funds	BC Instrument 81-513, s. 6
7. Indirect investment	BC Instrument 81-513, s. 7
8. Fees on investment for investment fund	BC Instrument 81-513, s. 8
9. Transition – exemptions under the Passport System granted before the effective date of this Regulation	BC Instrument 81-513, s. 12
10. Filing of material filed in other jurisdictions	BC Securities Rules, s. 153

APPENDIX P
Summary of Local Investment Fund Rules
(Effective as of March 2, 2015)

This list does not include fee-related rules, which will be dealt with by the fee proposal.

Local Rule	Proposal
BC Instrument 81-504 <i>Transactions between mutual funds and responsible persons relating to certain debt securities, mortgages and equity securities</i>	We did not carry forward this instrument.
BC Instrument 81-508 <i>Revocation of Fund of Fund exemptions, waivers and approvals</i>	We did not carry forward this instrument.
BC Instrument 81-511 <i>Exemption from Independent Review Committee Requirement for British Columbia Only Reporting Investment Funds</i>	We did not carry forward this instrument.
BC Instrument 81-512 <i>Exemptions from National Instrument 81-104 Commodity Pools</i>	We did not carry forward this instrument.
BC Instrument 81-513 <i>Self-Dealing</i>	We carried forward this instrument in Part 1 [<i>Self-Dealing</i>] of proposed CMRA Regulation 81-501 <i>Investment Funds</i> , except for sections 9 and 10, which we did not carry forward.
BC Instrument 81-515 <i>Revocation of exemptions and waivers from prospectus delivery requirements under NI 81-101</i>	We did not carry forward this instrument.
BC Instrument 81-516 <i>Exemption from prospectus delivery requirement and fund facts document delivery requirement for pre-authorized investment plans</i>	We did not carry forward this instrument.
BC Securities Rules, s. 153 [<i>Filing of material sent to security holders or filed in other jurisdictions</i>]	We carried forward this rule in section 10 [<i>Filing of material filed in other jurisdictions</i>] of proposed CMRA Regulation 81-501 <i>Investment Funds</i> .
BC Securities Rules, s. 154 [<i>Filing of records filed in another jurisdiction</i>]	We did not carry forward this rule.
Ontario Securities Commission Rule 81-801 <i>Implementing NI 81-106 Investment Fund Continuous Disclosure</i>	We did not carry forward this rule.

Local Rule	Proposal
Ontario Securities Commission Rule 81-802 <i>Implementing 81-107 Independent Review Committee for Investment Funds</i>	We did not carry forward this rule.
Ontario Regulation 1015 <i>General</i> , s. 235	We did not carry forward this rule.
Ontario Regulation 1015 <i>General</i> , s. 238	We did not carry forward this rule.
Ontario Regulation 1015 <i>General</i> , s. 242	We did not carry forward this rule.
Ontario Regulation 1015 <i>General</i> , s. 239	We did not carry forward this rule.
Ontario Regulation 1015 <i>General</i> , s. 240	We did not carry forward this rule.
Ontario Regulation 1015 <i>General</i> , s. 241	We did not carry forward this rule.
Ontario Regulation 1015 <i>General</i> , s. 243	We did not carry forward this rule.
Ontario Regulation 1015 <i>General</i> , s. 244	This is addressed under section 94 [<i>Exemption orders</i>] of the CMA.
Ontario Regulation 1015 <i>General</i> , s. 245	This is addressed under section 94 [<i>Exemption orders</i>] of the CMA.
PEI Blanket Order No. 81-501 <i>Allowing Select MFDA Members to Commingle Funds</i>	We did not carry forward this order.
Saskatchewan General Ruling/Order 81-902 <i>Certain MFDA Members – Commingling of Funds</i>	We did not carry forward this ruling/order.
Saskatchewan Securities Regulations, s. 168 [<i>Report pursuant to section 126 of the Act</i>]	We did not carry forward this rule.

APPENDIX Q
Table of Concordance
CMRA Regulation 91-501 *Derivatives and Strip Bonds*

The table identifies the current provision(s), if any, that are the primary source(s) for each provision of CMRA Regulation 91-501 *Derivatives and Strip Bonds*. Although not identified in this table, comparable provisions may also exist in other CMR Jurisdictions. We modified the current provision(s) that are the primary source, if necessary, to reflect the CMA, drafting conventions and harmonize with similar provisions in other CMR Jurisdictions. See the discussion of the proposed Regulation in the commentary for further information.

CMRA Regulation 91-501	Primary Source(s)
1. Definitions	
“Accord”	BC Instrument 91-501, s. 1.1
“aggregate consolidated gross revenue”	National Instrument 31-103, s. 8.26(2)
“CFA Charter”	National Instrument 31-103, s. 3.1
“designated foreign jurisdiction”	new
“designated rating”	National Instrument 81-102, s. 1.1
“designated rating organization”	National Instrument 81-102, s. 1.1
“DRO affiliate”	National Instrument 25-101, s.1
“first-time purchaser”	OSC Rule 91-501, s. 1.1 “specified purchaser”
“information statement”	new
“non-Canadian exchange contract”	new
“permitted client”	National Instrument 31-103, s. 1.1
“qualified party”	BC Instrument 91-501, s. 1.1
“strip bond”	BC Instrument 91-504, s. 1 “government strip bonds” OSC Rule 91-501, s. 1.1
“underlying bond”	National Instrument 31-103, s. 8.21(2)(a) and (b) OSC Rule 91-501, s. 1.1
2. Interpretation	
(1) Exchange contracts prescribed not to be securities	new
(2) OTC derivatives prescribed to be securities	new
(3) Interpretation of “qualified party” and “permitted client”	BC Instrument 91-501, s. 1.3
(4) Interpretation of “acting as principal”	BC Instrument 91-501, s. 1.4
3. Registration and prospectus exemptions for certain derivatives	OSC Rule 91-506, s. 2(1)
4. Proficiency	National Instrument 31-103, s. 3.11, 3.12, 16.10 Ontario Commodity Futures Regulation 90, s. 37
5. Risk disclosure statement	Ontario Commodity Futures Act, s. 40

CMRA Regulation 91-501	Primary Source(s)
6. Registration exemption – International dealer	new
7. General condition to international dealer registration requirement exemption	National Instrument 31-103, s. 8.0.1
8. Registration exemption – International adviser	new
9. General condition to international adviser registration requirement exemption	National Instrument 31-103, s. 8.22.2
10. Registration and prospectus exemptions	BC Instrument 91-501, part 2
11. Removal of registration and prospectus exemptions	OSC Rule 91-501, s. 2.1
12. Registration and prospectus exemptions	BC Instrument 91-504, s. 3-5 National Instrument 31-103, s. 8.0.1

APPENDIX R
Proposed Disposition of Local Derivatives Related Rules
(Effective as of March 2, 2015)

This list does not include fee-related rules, which will be dealt with by the fee proposal.

Local Rule	Proposal
BC Blanket Order No. 91-501 <i>Over-the-Counter Derivatives</i>	We carried forward this order in subsections 2(3) [<i>Interpretation of “qualified party” and “permitted client”</i>] and (4) [<i>Interpretation of “acting as principal”</i>] and section 10 [<i>Registration and prospectus exemptions</i>] of proposed CMRA Regulation 91-501 <i>Derivatives and Strip Bonds</i> .
BC Blanket Order No. 91-502 <i>Short Term Foreign Exchange Transactions</i>	We did not carry forward this order.
BC Blanket Order No. 91-503 <i>Contracts Providing for Physical Delivery of Commodities</i>	We did not carry forward this order.
BC Instrument 91-504 <i>Government Strip Bonds</i>	We carried forward this instrument in section 12 [<i>Registration and prospectus exemptions</i>] of proposed CMRA Regulation 91-501 <i>Derivatives and Strip Bonds</i> .
BC Instrument 91-505 <i>Prospectus Exemption for Put and Call Options</i>	We did not carry forward this instrument.
BC Securities Rules, s. 187 [<i>Reactivation of dormant exchange contract</i>]	We carried forward this rule in section 11 [<i>Reactivation of dormant derivative</i>] of proposed CMRA Regulation 11-501 <i>Definitions, Procedure, Civil Liability and Related Matters</i> .
NB Local Rule 91-501 <i>Derivatives</i>	This is addressed under NI 31-103 and proposed CMRA Regulation 91-501 <i>Derivatives and Strip Bonds</i> .
Ontario Securities Commission Rule 91-501 <i>Strip Bonds</i>	This is addressed in Part 5 [<i>Strip Bonds</i>] of proposed CMRA Regulation 91-501 <i>Derivatives and Strip Bonds</i> .
Ontario Securities Commission Rule 91-502 <i>Trades in Recognized Options</i>	This is addressed under NI 31-103 and subsection 2(1) [<i>Exchange contracts prescribed not to be securities</i>], sections 4 [<i>Proficiency</i>] and 5 [<i>Risk disclosure statement</i>] of proposed CMRA Regulation 91-501 <i>Derivatives and Strip Bonds</i> .
Ontario Securities Commission Rule 91-506 <i>Derivatives: Product Determination</i>	We carried forward this rule in section 25 [<i>Application of this Part</i>] of proposed CMRA Regulation 91-502 <i>Trade Repositories and Derivatives Data Reporting</i> .
Ontario Securities Commission Rule 91-507 <i>Trade Repositories and Derivatives Data Reporting</i>	We carried forward this rule in proposed CMRA Regulation 91-502 <i>Trade Repositories and Derivatives Data Reporting</i> .
Saskatchewan General Order 91-904 <i>Government Warrants</i>	We did not carry forward this order.
Saskatchewan General Ruling/Order 91-905 <i>Certain Interests in Government Securities</i>	We did not carry forward this ruling/order
Saskatchewan General Ruling/Order 91-906 <i>Strip Bonds</i>	This is addressed in Part 5 [<i>Strip Bonds</i>] of proposed CMRA Regulation 91-501 <i>Derivatives and Strip Bonds</i> .

Local Rule	Proposal
Saskatchewan General Order 91-907 <i>Over-the-Counter Derivatives</i>	This is addressed in subsections 2(3) [<i>Interpretation of “qualified party” and “permitted client”</i>] and (4) [<i>Interpretation of “acting as principal”</i>] and section 10 [<i>Registration and prospectus exemptions</i>] of proposed CMRA Regulation 91-501 <i>Derivatives and Strip Bonds</i> .