

**Cooperative Capital Markets Regulatory System
Provincial-Territorial Capital Markets Act
Summary of Proposed Transition Approach**

The chart below provides an overview of the proposed approach to transitioning market participants in each of the CMR jurisdictions (British Columbia, New Brunswick, Ontario, Prince Edward Island, Saskatchewan and Yukon; also referred to as the predecessor regulators) to the Cooperative Capital Markets Regulatory System and the legislation and regulations under it that would be administered by the Capital Markets Regulatory Authority (CMRA, or Authority).

As set out in the commentary published on August 25, 2015, Part 16 of the revised consultation draft of the provincial/territorial *Capital Markets Act* (the CMA) would provide the CMRA with the legal authority to transition matters under existing securities laws (that is, the securities statutes and associated rules or regulations of the CMR jurisdictions existing immediately before launch) to the CMA. The goal of the approach outlined below is to minimize the impact of transition on market participants and their businesses. In most cases, market participants would not have to take any action to continue their activities under the new system and any necessary changes would happen by operation of law. Some general principles of the approach to transition are:

- decisions of a predecessor regulator would become decisions of the CMRA and those decisions would have effect in all CMR jurisdictions (for example: registration decisions, prospectus receipts, and exemptive relief decisions);
- most orders of a predecessor regulator would be deemed to be orders of the CMRA and would have effect in all CMR jurisdictions (for example: recognition orders, designation orders). An exception is blanket orders, which would, where appropriate, be carried forward as CMRA Local Regulations¹;
- the Authority and Chief Regulator would be able to vary or revoke decisions of predecessor regulators to resolve any discrepancies between decisions made in different CMR jurisdictions;
- the Authority and Chief Regulator would be able to take up any applications in progress or forms submitted at launch;
- obligations to a predecessor regulator would continue as obligations to the CMRA;
- administrative enforcement orders would be deemed to be orders of the Tribunal in the CMR jurisdiction where the order was made; and
- hearings, reviews and appeals in progress or requested prior to launch would continue to be heard by the panel or decision maker who was seized of the matter, or where no panel or decision maker is yet seized, would be heard by the CMRA or the Tribunal, as appropriate.

This summary does not address all individual circumstances; rather the chart below describes how these general principles, and some exceptions, would apply to many situations that market participants may be in on launch. Market participants can expect communications from regulatory staff of the CMR jurisdictions with more information on transition, including any local transition matters, and what steps, if any, would be required to be taken by the market participant. Contact information will also be provided for market participants who have questions about their individual circumstances. It is anticipated that regulatory staff will work with market participants to facilitate the transition.

¹ For further information on blanket orders, see the local rule appendices in the commentary published on August 25, 2015 on the draft initial regulations for the Cooperative Capital Markets Regulatory System.

	QUESTION	PROPOSED TRANSITION APPROACH
1.	RECOGNIZED ENTITIES (self-regulatory organizations, exchanges, trade repositories, clearing agencies and auditor oversight organizations)	
a.	What will happen to entities that are recognized under existing securities legislation in one or more CMR jurisdictions?	<p>Statutory provisions would deem a recognition order made under existing securities laws to be an order made by the CMRA with effect in all CMR jurisdictions.</p> <p>If an entity is recognized by more than one predecessor regulator, regulatory staff would work with the entity to harmonize existing recognition orders.</p> <p>If an entity is subject both to recognition orders and orders exempting it from recognition, the order(s) exempting the entity from recognition would be revoked and the recognition order(s) would continue.</p>
b.	What will happen to reviews/appeals of SRO and other recognized entity decisions requested before launch?	<p>The review or appeal would be treated in the same manner as though a hearing had commenced prior to launch.</p> <p>If a panel or decision-maker is seized of a matter prior to launch, that panel or decision-maker would continue to hear the matter and make a decision based on existing securities laws. Statutory provisions would deem that decision to be a decision made under the CMA with effect in all CMR jurisdictions.</p>
2.	DESIGNATED ENTITIES AND OTHER MARKET PLACES (credit rating organizations, investor compensation funds, dispute resolution services, information processors, other market places)	
a.	What will happen to entities, other than credit rating organizations, that are currently designated or want to be designated under section 17 of the CMA on launch?	<p>Prior to launch, regulatory staff would consult with entities that are currently providing these services in a CMR jurisdiction. New designation orders would be prepared based on existing orders, undertakings, or Memorandum of Understanding and would be effective on launch in all CMR jurisdictions.</p> <p>Where an application related to designation is in progress on launch, the application would be considered under the CMA without any further action by the market participant.</p>

	QUESTION	PROPOSED TRANSITION APPROACH
b.	What will happen to designated credit rating organizations, or credit rating organizations that have applied for designation, on launch?	<p>The existing designation orders would be deemed to be orders of the CMRA and will apply in all CMR jurisdictions.</p> <p>Where an application for designation by a credit rating organization is in progress on launch, the application would be considered under the CMA without any further action by the credit rating organization.</p>
c.	What will happen to alternative trading systems that are not recognized or designated under existing securities laws?	At launch, alternative trading systems would not be designated, but would be subject to the provisions dealing with “other” market places in Part 3 of the CMA.
d.	What will happen to orders for discretionary exemptive relief related to matters under Part 3 of the CMA and granted under existing securities laws?	<p>Statutory provisions would deem discretionary exemptive relief orders made under existing securities laws in a CMR jurisdiction to be orders of the CMRA (subject to limited exceptions) with effect in all CMR jurisdictions.</p> <p>The Chief Regulator and the Authority would have the ability to vary or revoke orders to resolve any discrepancies between orders made under existing securities laws in different CMR jurisdictions, including orders relating to exemptions.</p>
3.	REGISTRATION (dealers, advisers and investment fund managers)	
a.	What will happen to registrants who are registered or suspended from registration under existing securities laws?	<p>Statutory provisions would deem registrations granted in one CMR jurisdiction to be registrations granted by the CMRA with effect in all CMR jurisdictions.</p> <p>Where a registration was suspended in a CMR jurisdiction, the registration would be suspended in all CMR jurisdictions. The exception would be for registrations which were suspended prior to March 14, 2003,² which would not be carried forward.</p>

² March 14, 2003 is the date the National Registration Database was launched. Suspensions that occurred prior to this date are not recorded in the NRD.

	QUESTION	PROPOSED TRANSITION APPROACH
b.	<p>What will happen to firms or individuals who are currently registered in one CMR jurisdiction and suspended from registration in another CMR jurisdiction?</p>	<p>A registrant’s suspension, if it occurred after March 14, 2003, would be carried forward and would apply in all CMR jurisdictions, including in any CMR jurisdictions where they were registered without suspension prior to launch. If these suspended registrants want their registration to continue, they must come forward in the CMR jurisdiction where they have a registration suspension and seek termination of the suspension by satisfying the Chief Regulator that the suspension should not be carried forward and apply in all CMR jurisdictions. Regulatory staff would consider these cases individually and would work with the individual or firm to minimize any business disruption, particularly where the suspension was not conduct related.</p> <p>Where the suspension occurred prior to March 14, 2003, the suspension would not be carried forward. The registration would be carried forward and apply in all CMR jurisdictions.</p>
c.	<p>What will happen to dealers registered as a restricted dealer to trade exchange contracts in British Columbia and dealers who are registered under the Commodity Futures Act in Ontario?</p>	<p>These registrants would be deemed to be registered in the corresponding category of registration under the CMA and the registration would have effect in all CMR jurisdictions. Any terms, conditions, or restrictions would continue to apply to the registration.</p>
d.	<p>What will happen to registrants who are subject to inconsistent decisions, e.g. a person who is registered in one CMR jurisdiction and subject to terms and conditions in another for the same category of registration?</p>	<p>Registrations would continue to operate as they had prior to launch with any terms, conditions, restrictions or requirements applying throughout all the CMR jurisdictions. Where there are terms and conditions related to the same issue, the stricter ones would apply. If a registrant is subject to inconsistent conditions, restrictions or requirements, they may choose to apply to vary the conditions to avoid any potential business disruption.</p>

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e.	What will happen to a registrant who is registered in one CMR jurisdiction but relying on a legislative exemption ³ from the requirement to be registered in another CMR jurisdiction?	<p>Statutory provisions would deem these registrations to be registrations under the CMA and would deem them to be effective in all CMR jurisdictions.</p> <p>A registrant would not be permitted to rely on legislative exemptions except for activities covered by the exemption that are outside the activities permitted under their category of registration.</p>
f.	What will happen to a market participant who is not registered in any CMR jurisdiction and who is relying on a legislative exemption from the requirement to be registered?	A market participant may only rely on the legislative exemptions available in the CMA or its regulations. Where the legislative exemption is not carried forward, the market participant may either apply to be registered or seek discretionary exemptive relief from the requirement to be registered.
g.	What will happen after launch to discretionary orders providing relief from the requirement to register?	Statutory provisions would deem discretionary orders for exemptive relief to be orders made by the CMRA with effect in all CMR jurisdictions. However, if a discretionary exemptive relief order was granted before September 28, 2009, ⁴ the order would be deemed to expire two years after launch. A market participant may choose to apply to extend the order after launch.

³ A legislative exemption refers to exemptions found in either statute or the regulations.

⁴ September 28, 2009 is the date NI 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* came into force.

	QUESTION	PROPOSED TRANSITION APPROACH
h.	What will happen to a firm or individual who relies on a discretionary order exempting them from the requirement to be registered in one CMR jurisdiction and who is also registered in one or more other CMR jurisdictions?	<p>The individual or firm would be a registrant in all CMR jurisdictions. Statutory provisions would deem registrations granted under existing securities legislation to be registrations granted by the CMRA with effect in all CMR jurisdictions.</p> <p>Statutory provisions would also deem discretionary exemptive relief orders to be orders made by the CMRA with effect in all CMR jurisdictions. However, the registrant would only be able to rely on the discretionary exemptive relief for activities that are outside of those permitted under their category of registration.</p> <p>Where there is a potential for conflict between a registration status and the ability to rely on discretionary exemptive relief, registrants may apply to vary their exemptive relief orders.</p> <p>Note also that discretionary exemptive relief orders granted before September 28, 2009, would expire two years after launch.</p>
i.	What will happen to discretionary exemptions related to the requirements applicable to a registrant?	Statutory provisions would deem these decisions to be decisions of the CMRA with effect in all CMR jurisdictions, including any terms and conditions imposed by the order.
j.	What will happen to an opportunity to be heard related to a registration matter ongoing at the time of launch?	The decision maker who is seized would continue to hear the matter and make a decision. The decision would apply in all CMR jurisdictions.
4.	PROSPECTUS REQUIREMENTS	
a.	What will happen to a distribution of securities where no final prospectus receipt has been issued before launch?	Distributions in progress on launch would become distributions under the CMA. Any receipt for the prospectus would be issued by the Chief Regulator and it would be a receipt for all CMR jurisdictions.
b.	What will happen to a distribution of securities where a final prospectus receipt was issued, including receipts for shelf prospectuses, before launch but the distribution was not complete at launch?	Statutory provisions would deem the receipt issued to be a decision of the Chief Regulator and would preserve the original timelines of the receipt.

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c.	What will happen to a distribution of securities in progress at launch that is relying on a legislative exemption or relief under a blanket order found in existing securities laws?	Market participants must comply with the CMA on launch. Where the legislative exemption or blanket order is not carried forward or is different under the CMA, absent the granting of exemptive relief, the distribution would not be permitted under the terms of the existing exemption. Where the exemption is carried forward, the distribution could continue under the CMA.
d.	What will happen to a distribution of securities in progress on launch that relies on a discretionary exemption from the prospectus requirement granted under existing securities laws?	The discretionary exemption decision would be deemed to be a decision of the CMRA.
5.	DISCLOSURE AND PROXIES	
a.	What will happen if an issuer is a reporting issuer in a CMR jurisdiction prior to launch?	The issuer would be a reporting issuer in all CMR jurisdictions.
b.	What will happen to disclosure or reporting obligations triggered before launch but not yet fulfilled at launch?	Statutory provisions would preserve the existing obligations and timelines.
c.	What will happen to discretionary exemptions from the continuous disclosure requirements granted under existing securities laws?	These discretionary exemptions would be deemed to be decisions of the CMRA with effect in all CMR jurisdictions.
d.	What will happen to a cease trade order arising from a failure to file a required record in the required form issued prior to launch?	The order would be deemed to be a decision of the CMRA with effect in all CMR jurisdictions.
6.	TAKE-OVER BIDS AND ISSUER BIDS	
a.	What law will apply to take-over bids and issuer bids commenced prior to launch?	Existing securities laws would apply to a take-over bid or issuer bid commenced prior to launch. This includes any proceedings commenced before a panel or decision maker of a predecessor regulator or before a court. In the case of regulatory proceedings, if a panel or decision maker is seized of a proceeding prior to launch, it would continue to hear the matter after launch. Where a panel or decision maker is not seized, the Tribunal would hear the matter, applying existing securities laws.

	QUESTION	PROPOSED TRANSITION APPROACH
b.	What will happen to discretionary exemptions from the bid requirements granted prior to launch?	These discretionary exemptions would be deemed to be decisions made by the CMRA with effect in all CMR jurisdictions.
7.	COMPLIANCE REVIEWS, INVESTIGATIONS, PROCEEDINGS, ORDERS AND APPEALS	
a.	What will happen to compliance reviews and investigations commenced prior to launch?	These would continue under the CMA. The investigation orders would be deemed to be orders under the CMA; however, regulatory staff may seek new orders to ensure consistent application of investigation or compliance review powers among all CMR jurisdictions.
b.	What happens to an administrative enforcement proceeding commenced prior to launch that remains ongoing after launch?	The panel or decision maker of the predecessor regulator that is seized of the matter would continue to hear it. That panel or decision maker would make its decision applying Tribunal procedural rules, existing securities laws for liability and the CMA for sanctions, but the sanctions would be no greater than those that could have been ordered under existing securities laws.
c.	What happens to an administrative enforcement proceeding where a notice of hearing has been issued but the hearing has not commenced prior to launch?	Where the merits or liability hearing has not commenced at the time of launch, the Tribunal would hear the proceeding and make a decision applying Tribunal rules on procedure, existing securities laws for liability and the CMA for sanctions, with the same caveat as above regarding sanctions. This would also be the case if the alleged conduct occurred prior to launch, even if no notice of hearing had been issued prior to launch.
d.	What happens to existing administrative enforcement orders?	An order of this nature would be deemed to be an order of the Tribunal in the CMR jurisdiction where it was made. Regulatory staff could apply to the Tribunal to have the order apply in all of the CMR jurisdictions and in these circumstances the respondent would be given an opportunity to be heard.

	QUESTION	PROPOSED TRANSITION APPROACH
e.	What happens to freeze directions and orders issued under existing securities laws?	<p>Freeze directions or orders would be deemed to be decisions under the CMA but only applicable in the CMR jurisdiction where they were made.</p> <p>In Ontario, Saskatchewan and New Brunswick, where freeze directions or orders have been continued by a court, no further action would be necessary for these directions to continue post launch.</p>