The Ontario Securities Commission

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

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Editor's Note: On Friday, April 29, 2022, the Securities Commission Act, 2021 (SCA), came into force by proclamation of the Lieutenant Governor of Ontario. The SCA's proclamation implemented key structural and governance changes to the OSC: the separation of the OSC Chair and Chief Executive Officer roles, and the creation of a new Capital Markets Tribunal. These new structural and governance changes are now reflected in the Bulletin, with one section to report and record the activities of the Capital Markets Tribunal and one section to report and record the activities of the Ontario Securities Commission: www.capitalmarketstribunal.ca/en/resources.

A. Capital Markets Tribunal

A.1
Notices of Hearing

A.1.1 Cronos Group Inc. and William Hilson – ss. 127(1), 127.1

FILE NO.: 2022-23

IN THE MATTER OF
CRONOS GROUP INC. AND
WILLIAM HILSON

NOTICE OF HEARING
Subsection 127(1) and section 127.1 of the *Securities Act,* RSO 1990, c S.5

PROCEEDING TYPE: Public Settlement Hearing

HEARING DATE AND TIME: October 24, 2022 at 4:30 p.m.

LOCATION: By videoconference

PURPOSE

The purpose of this hearing is to consider whether it is in the public interest for the Capital Markets Tribunal to approve the Settlement Agreement dated October 19, 2022, between Staff of the Commission and Cronos Group Inc. and the Settlement Agreement dated October 20, 2022, between Staff of the Commission and William Hilson, in respect of the Statement of Allegations filed by Staff of the Commission dated October 20, 2022.

REPRESENTATION

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

FAILURE TO ATTEND

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

FRENCH HEARING

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

AVIS EN FRANÇAIS

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

Dated at Toronto this 20th day of October, 2022.

Registrar, Governance & Tribunal Secretariat
Ontario Securities Commission

For more information

Please visit http://www.capitalmarketstribunal.ca/en or contact the Registrar at registrar@osc.gov.on.ca.

IN THE MATTER OF
CRONOS GROUP INC. AND
WILLIAM HILSON

STATEMENT OF ALLEGATIONS
(Subsections 127(1) and 127.1 of the *Securities Act*, RSO 1990 c S.5)

A. OVERVIEW

1. When public cannabis companies issue financial statements that do not provide accurate information about their financial performance and condition and fail to have adequate controls, they undermine confidence in Ontario's capital markets and leadership in the cannabis space.

2. Cronos Group Inc., an Ontario-based public cannabis company, is being held accountable for improperly recognizing $7.6 million (US $5.8 million) in revenue in its Q1, Q2 and Q3 2019 interim financial statements and for subsequently overstating virtually all of its U.S. goodwill and a significant portion of its U.S. intangible assets by a collective amount of $234.9 million in its Q2 2021 interim financial statements.

3. Cronos restated its Q1, Q2 and Q3 2019 interim financial statements to correct the revenue recognition error upon determining that they had not been prepared in accordance with generally accepted accounting principles (**GAAP**). The Company again restated its interim financial statements, this time for Q2 2021, to correct its failure to recognize impairment charges for goodwill and intangible assets relating to the U.S. reporting unit. In both instances, Cronos reported related material weaknesses in internal control over financial reporting (**ICFR**).

4. William Hilson was Cronos' Chief Financial Officer and later its Chief Commercial Officer. In his role as Chief Commercial Officer, Hilson was involved in one of the 2019 transactions in which Cronos improperly recognized $3 million in revenue. In Hilson's role and as a Chartered Professional Accountant, he understood the need for the transaction to be properly accounted for by Cronos in its interim financial statements. He failed to take appropriate steps to address the handling of revenue recognition issues for this transaction by Cronos.

B. FACTS

(a) Cronos Uncovers Revenue Recognition Errors in Financial Reporting

5. On February 24, 2020, Cronos Group Inc. (**Cronos** or the **Company**) publicly announced that it was delayed in completing its 2019 annual financial statements and that it would delay its 2019 fourth quarter and full-year earnings release and conference call.

6. Cronos is a licensed cannabis producer in Canada with international production and distribution. The Company is listed on the TSX (CRON) and NASDAQ (CRON) with a market capitalization of $1.19 billion as of August 29, 2022. Cronos's brand portfolio includes Peace Naturals, Spinach and hemp-derived CBD brands, Lord Jones, Happy Dance and Peace+.

7. On March 2, 2020, Cronos disclosed that it filed a Form 12b-25 (Notification of Late Filing) with the U.S. Securities and Exchange Commission (**SEC**) for a 15-day extension of the due date to file its Form 10-K for the year ended December 31, 2019. The Company disclosed that it had been unable to complete its financial statements for fiscal 2019 due to a continuing review by the Audit Committee (the **Audit Committee**) of the Company's Board of Directors (the **Board**), with the assistance of outside counsel and forensic accountants, of several bulk resin purchases and sales of products through the wholesale channel (the **Transactions)** and the appropriateness of the recognition of revenue from the Transactions.

8. On March 17, 2020, Cronos filed a Material Change Report with the OSC and announced that, on the recommendation of its Audit Committee and after consultation with its auditors, its previously issued unaudited interim financial statements for the first, second and third quarters of 2019 would be restated and reissued and should no longer be relied upon.

9. The Company disclosed that its Audit Committee had been conducting a review of the Transactions and the restatement was being made to eliminate certain of these transactions. It announced that it would reduce revenue by $2.5 million (US $1.9 million) for the three months ended March 31, 2019, and by $5.1 million (US $3.9 million) for the three months ended September 30, 2019. The Company further disclosed that, in connection with the restatement, it anticipated that it would report one or more material weaknesses in ICFR when it filed its Form 10-K.

10. On March 30, 2020, the Company announced that the Audit Committee had completed its review of the Transactions and that the Board had determined, on the recommendation of the Audit Committee and advice from its auditor, that the Company would restate its unaudited interim financial statements for the first, second and third quarters of 2019.

11. Cronos filed the restated interim financial statements on March 30, 2020.

12. The restated interim financial statements disclosed that the Audit Committee review had concluded that there were accounting errors in the previously issued interim financial statements for the first and third quarters of 2019 (Q1 2019 and Q3 2019, respectively). In particular, the Company reduced revenue for the three months ended March 31, 2019, by $2.5 million (US $1.9 million) and the three months ended September 30, 2019, by $5.1 million (US $3.9 million).

(b) Q1 2019 Revenue Recognition Errors

13. In the three months ended March 31, 2019, the revenue recognition error was due to one wholesale transaction that was inappropriately accounted for as revenue in the Company's originally issued interim financial statements for Q1 2019. The transaction involved the exchange of cannabis dry flower for cannabis resin, with a third party, in two simultaneous transactions entered into in contemplation of one another.

14. This transaction did not meet the criteria for revenue recognition in accordance with GAAP, in this case International Financial Reporting Standards (**IFRS**). The standard applicable to revenue recognition for the transaction was IFRS 15, *Revenue from Contracts with Customers.*

15. This transaction lacked commercial substance and therefore revenue should not have been recognized. As a result, Cronos had overstated revenue by approximately $2.5 million (US $1.9 million) on the Consolidated Statements of Operations and Comprehensive Income (Loss) in the original Q1 2019 interim financial statements.

(c) Q3 2019 Revenue Recognition Errors

(i) Wholesale Transaction

16. During the three months ended September 30, 2019, there was a similar wholesale transaction involving the exchange of cannabis dry flower for cannabis extracts in three simultaneous transactions which were entered into in contemplation of one another with the same third party.

17. This transaction did not meet the criteria for revenue recognition in accordance with GAAP, in this case IFRS. This transaction lacked commercial substance and therefore revenue should not have been recognized. As a result, Cronos had overstated revenue by approximately $2.1 million (US $1.6 million) on the Consolidated Statements of Operations and Comprehensive Income (Loss) in the original interim financial statements for the three and nine months ended September 30, 2019.

(ii) Hilson's Role at Cronos and Further Q3 Transaction

18. Hilson is a Chartered Professional Accountant with a Master's of Science degree in clinical biochemistry. From about September 2016 until April 15, 2019, Hilson acted as CFO for Cronos. From April 15, 2019 to December 31, 2019, Hilson was Cronos' Chief Commercial Officer.

19. In July 2019, while Hilson was Cronos' Chief Commercial Officer, Cronos entered into an agreement with a third party titled "Contract Manufacturing Agreement" (**CMO Agreement**) governing the arrangements by which the third party was to provide manufacturing services to Cronos, specifically for the manufacture of vape cartridges. Under the CMO Agreement the biomass could be supplied by Cronos or sourced on its behalf. The CMO Agreement stipulated that Cronos retained title and ownership of the biomass at all times.

20. Hilson had input into the terms of the CMO Agreement and was aware of its terms. He made the CMO Agreement available to Cronos' accounting department for assessment of revenue recognition.

21. In the third quarter of 2019, Hilson played a significant role in a further wholesale transaction in which Cronos improperly recognized $3 million in revenue. In that transaction, Cronos entered into a wholesale transaction to sell dried cannabis to the counterparty to the CMO Agreement (the **Q3 CMO Transaction**).

22. Hilson negotiated the Q3 CMO Transaction and its payment terms on behalf of Cronos.

23. Cronos' accounting department prepared its quarterly financial statements, which included the assessment of the Q3 CMO Transaction for revenue recognition purposes.

24. In his role as Chief Commercial Officer, Hilson was not required to certify or approve Cronos' quarterly financial statements. However, on November 8, 2019, Hilson signed an "Internal Control Certification" in connection with the quarterly financial statements and related reported information as of and for the three months ending September 30, 2019. Hilson confirmed in the signed certification that the interim financial statements were accurate and fairly presented in all material respects Cronos' financial condition, results of operations, and cash flows as they related to his area of responsibility.

25. The Q3 CMO Transaction did not, in fact, meet the criteria for revenue recognition in accordance with applicable generally accepted accounting principles, in this case International Financial Reporting Standards (**IFRS**). The standard applicable to revenue recognition for the transaction was IFRS 15, *Revenue from Contracts with Customers*.

26. The Q3 Transaction did not meet the criteria for revenue recognition because it was deemed to be a consignment sale. As a result, Cronos had overstated revenue by approximately $3 million, overstated cost of sales by approximately $1.7 million, and overstated realized fair value adjustment on inventory by approximately $3.3 million in its Consolidated Statements of Operations and Comprehensive Income (Loss), in the interim financial statements for the three and nine months ended September 30, 2019 (the **Q3 2019 Interim Financial Statements**).

27. Hilson failed to take appropriate steps to address the handling of revenue recognition issues for the Q3 CMO Transaction by Cronos, including by not ensuring that an analysis of revenue recognition in respect of the transaction had been prepared and considered by the Company prior to its completion of Q3 2019 Interim Financial Statements.

(d) Material Weaknesses in ICFR: March 2020

28. On March 30, 2020, the Company filed Amended and Restated Management's Discussion and Analysis of Financial Condition and Results of Operations (**MD&A**) for the first, second and third quarters of 2019.

29. Each of the MD&A for the first, second and third quarters of 2019 disclosed that as of the end of the reporting period, due to material weaknesses, ICFR was not effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with applicable accounting standards.

30. A material weakness is a deficiency, or combination of deficiencies in ICFR, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

31. Cronos identified material weaknesses in the following areas:

    (a) *Segregation of Duties*: The Company did not maintain adequately designed controls on segregation of purchase and sale responsibilities to ensure accurate recognition of revenue in accordance with IFRS;

    (b) *Non-Routine Transactions*: The Company's controls were not effective to ensure that non-routine transactions, including deviations from contractually established sales terms, were authorized, communicated, identified, and evaluated for their potential effect on revenue recognition; and

    (c) *Risk Assessment:* The Company did not appropriately design controls to monitor and respond to changes in its business in relation to their transactions in the wholesale market.

32. Because of the segregation of duties and non-routine transaction deficiencies, the Company restated its interim financial statements in respect of the Transactions to correct the identified misstatements. While the risk assessment deficiency did not directly result in a misstatement, it was a contributing factor in the other material weaknesses described above.

33. Together, these deficiencies created a reasonable possibility that a material misstatement to the consolidated financial statements would not have been prevented or detected on a timely basis.

(e) Cronos Uncovers Errors in Goodwill and Indefinite-Lived Tangible Assets

34. On November 9, 2021, Cronos publicly announced that it had been unable to complete its interim financial statements for the three and nine months ended September 30, 2021 because its Audit Committee required additional time to evaluate goodwill and indefinite-lived intangible assets. Cronos also announced that it expected to record an impairment charge of not less than US $220 million on goodwill and indefinite-lived intangible assets for the three and six months ended June 30, 2021.

35. On the same date, Cronos filed a Material Change Report with the OSC, in which it stated that on the recommendation of its Audit Committee and after consultation with its auditor, the Company would be required to restate its previously issued unaudited interim financial statements for the three and six month period ending June 30, 2021, and that those financial statements should no longer be relied upon. The Company also filed Forms 8-K and 12b-25 with both the OSC and the SEC.

36. On February 18, 2022, Cronos filed restated interim financial statements and an Amended and Restated MD&A for the three and six month period ending June 30, 2021 as the previously filed financial statements had not been prepared in accordance with GAAP, in this case US GAAP. Cronos disclosed that it had performed an interim impairment test on its U.S. reporting unit and the Lord Jones brand, as of June 30, 2021, to determine whether the carrying amount of the reporting unit and indefinite-lived intangible asset, the Lord Jones brand, exceeded their respective fair values. As a

result of its analyses, the Company concluded that it should have recorded an impairment charge of US $234.9 million on goodwill and indefinite-lived intangible assets related to its U.S. reporting unit.

(f) Material Weaknesses in ICFR: February 2022

37. On February 18, 2022, the Company disclosed that its ICFR was ineffective due to the existence of material weaknesses. The material weaknesses contributed to the failure to accurately recognize the value of its goodwill and indefinite-lived intangible assets. Specifically, the Company:

    (a) did not ensure that senior accounting personnel engaged consistently in appropriate professional conduct and conduct consistent with the Company's code of business conduct and ethics; and

    (b) lacked accounting personnel with appropriate level of knowledge and experience in US GAAP.

C. BREACHES OF ONTARIO SECURITIES LAW AND CONDUCT CONTRARY TO THE PUBLIC INTEREST

38. The following breaches of Ontario securities law and conduct contrary to the public interest are alleged:

    (a) Cronos failed to file interim financial statements prepared in accordance with applicable GAAP, contrary to s. 77 of the *Act*;

    (b) Cronos acted in a manner contrary to the public interest; and

    (c) Hilson acted in a manner contrary to the public interest.

D. ORDER SOUGHT

39. It is requested that the Tribunal make an order pursuant to subsection 127(1) and section 127.1 of the Act to approve the settlement agreements entered into by Cronos and Hilson with respect to the matters set out herein.

DATED at Toronto, Ontario, this 20th day of October, 2022.

ONTARIO SECURITIES COMMISSION
20 Queen Street West, 22nd Floor
Toronto, ON M5H 3S8

Rikin Morzaria
Senior Litigation Counsel
Enforcement Branch

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rmorzaria@osc.gov.on.ca

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A.2
Other Notices

A.2.1 Mark Hamlin

FOR IMMEDIATE RELEASE
October 18, 2022

MARK HAMLIN,
File No. 2022-16

TORONTO – The Tribunal issued an Order in the above named matter.

A copy of the Order dated October 18, 2022 is available at capitalmarketstribunal.ca.

Registrar, Governance & Tribunal Secretariat
Ontario Securities Commission

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A.2.2 Canada Cannabis Corporation et al.

FOR IMMEDIATE RELEASE
October 19, 2022

CANADA CANNABIS CORPORATION,
CANADIAN CANNABIS CORPORATION,
BENJAMIN WARD,
SILVIO SERRANO, AND
PETER STRANG,
File No. 2019-34

TORONTO – The Tribunal issued an Order in the above named matter.

A copy of the Order dated October 19, 2022 is available at capitalmarketstribunal.ca.

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A.2.3 Troy Richard James Hogg et al.

FOR IMMEDIATE RELEASE
October 20, 2022

TROY RICHARD JAMES HOGG,
CRYPTOBONTIX INC.,
ARBITRADE EXCHANGE INC.,
ARBITRADE LTD.,
T.J.L. PROPERTY MANAGEMENT INC. AND
GABLES HOLDINGS INC.,
File No. 2022-20

TORONTO – The Tribunal issued an Order in the above named matter.

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A.2.4 Cronos Group Inc. and William Hilson

FOR IMMEDIATE RELEASE
October 20, 2022

CRONOS GROUP INC. AND
WILLIAM HILSON,
File No. 2022-23

TORONTO – The Tribunal issued a Notice of Hearing for a hearing to consider whether it is in the public interest to approve two settlement agreements entered into by Staff of the Commission and Cronos Group Inc. and William Hilson respectively in the above named matter.

The hearing will be held on October 24, 2022 at 4:30 p.m.

A copy of the Notice of Hearing dated October 20, 2022 and the Statement of Allegations dated October 20, 2022 are available at capitalmarketstribunal.ca.

Registrar, Governance & Tribunal Secretariat
Ontario Securities Commission

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A.2.5 Mark Hamlin

FOR IMMEDIATE RELEASE
October 21, 2022

MARK HAMLIN,
File No. 2022-16

TORONTO – The Tribunal issued an Order in the above named matter.

A copy of the Orders dated July 19, July 22, and October 21, 2022 are available at capitalmarketstribunal.ca.

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inquiries@osc.gov.on.ca

A.2.6 First Global Data Ltd. et al.

FOR IMMEDIATE RELEASE
October 21, 2022

FIRST GLOBAL DATA LTD.,
GLOBAL BIOENERGY RESOURCES INC.,
NAYEEM ALLI,
MAURICE AZIZ,
HARISH BAJAJ, AND
ANDRE ITWARU,
File No. 2019-22

TORONTO – Take notice the attendance in the above named matter scheduled to be heard on October 24, 2022 will not proceed as scheduled.

Registrar, Governance & Tribunal Secretariat
Ontario Securities Commission

For Media Inquiries:

media_inquiries@osc.gov.on.ca

For General Inquiries:

1-877-785-1555 (Toll Free)
inquiries@osc.gov.on.ca

A.2.7 Plateau Energy Metals Inc. et al.

FOR IMMEDIATE RELEASE
October 21, 2022

PLATEAU ENERGY METALS INC.,
ALEXANDER FRANCIS CUTHBERT HOLMES AND
PHILIP NEVILLE GIBBS,
File No. 2021-16

TORONTO – Take notice of the following merits hearing date changes in the above named matter:

(1) the merits hearing days scheduled on October 24, 26, 27 and 28, 2022 are vacated; and

(2) the merits hearing shall commence on October 31, 2022 at 10:00 a.m., and continue on November 1, 2, 2022 and January 11 and 12, 2023 at 10:00 a.m. on each day.

Registrar, Governance & Tribunal Secretariat
Ontario Securities Commission

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A.2.8 First Global Data Ltd. et al.

FOR IMMEDIATE RELEASE
October 21, 2022

FIRST GLOBAL DATA LTD.,
GLOBAL BIOENERGY RESOURCES INC.,
NAYEEM ALLI,
MAURICE AZIZ,
HARISH BAJAJ, AND
ANDRE ITWARU,
File No. 2019-22

TORONTO – The Tribunal issued an Order in the above named matter.

A copy of the Order dated October 21, 2022 is available at capitalmarketstribunal.ca.

Registrar, Governance & Tribunal Secretariat
Ontario Securities Commission

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For General Inquiries:

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inquiries@osc.gov.on.ca

A.2.9 Paramount Equity Financial Corporation et al.

FOR IMMEDIATE RELEASE
October 21, 2022

PARAMOUNT EQUITY FINANCIAL CORPORATION,
SILVERFERN SECURED MORTGAGE FUND,
SILVERFERN SECURED MORTGAGE LIMITED PARTNERSHIP,
GTA PRIVATE CAPITAL INCOME FUND,
GTA PRIVATE CAPITAL INCOME LIMITED PARTNERSHIP,
SILVERFERN GP INC.,
TRILOGY MORTGAGE GROUP INC.,
MARC RUTTENBERG,
RONALD BRADLEY BURDON AND
MATTHEW LAVERTY,
File No. 2019-12

TORONTO – Take notice that the attendance in the above named matter scheduled to be heard on October 25, 2022 will be heard on November 2, 2022 at 10:00 a.m.

Registrar, Governance & Tribunal Secretariat
Ontario Securities Commission

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media_inquiries@osc.gov.on.ca

For General Inquiries:

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inquiries@osc.gov.on.ca

A.2.10 Cronos Group Inc. and William Hilson

FOR IMMEDIATE RELEASE
October 24, 2022

CRONOS GROUP INC. AND
WILLIAM HILSON,
File No. 2022-23

TORONTO – Following a hearing held today, the Tribunal issued an Order in the above named matter approving Settlement Agreements reached between Staff of the Commission and Cronos Group Inc. and William Hilson, respectively.

A copy of the Order dated October 24, 2022, and the Settlement Agreement dated October 19, 2022, between Staff of the Commission and Cronos Group Inc.;

A copy of the Order dated October 24, 2022, and the Settlement Agreement dated October 20, 2022, between Staff of the Commission and William Hilson; and

Oral Reasons for Approval of Settlements dated October 24, 2022 are available at capitalmarketstribunal.ca.

Registrar, Governance & Tribunal Secretariat
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A.3
Orders

A.3.1 Mark Hamlin

IN THE MATTER OF
MARK HAMLIN

File No. 2022-16

Adjudicators: Andrea Burke (Chair of the panel)
Timothy Moseley

October 18, 2022

ORDER

WHEREAS on October 12, 2022, the Capital Markets Tribunal issued an order reflecting its decision that it has the jurisdiction to grant the relief that Mark Hamlin seeks in this application;

AND WHEREAS the representatives for Mark Hamlin and for Staff of the Ontario Securities Commission have jointly proposed a schedule for the exchange of materials and for the continuation of the hearing to determine whether the Tribunal should grant the relief sought;

IT IS ORDERED THAT:

1. Hamlin shall serve and file any additional evidence and written submissions by no later than 4:30 p.m. on October 18, 2022;

2. Staff shall serve and file any additional evidence and written submissions by no later than 4:30 p.m. on October 25, 2022;

3. Hamlin shall serve and file any reply evidence and written submissions by 4:30 p.m. on October 27, 2022; and

4. the hearing shall continue by videoconference on October 31, 2022, at 10:00 a.m., or on such other dates and times as may be agreed to by the parties and set by the Office of the Secretary.

"Andrea Burke"

"Timothy Moseley"

A.3.2 Canada Cannabis Corporation et al.

IN THE MATTER OF
CANADA CANNABIS CORPORATION,
CANADIAN CANNABIS CORPORATION,
BENJAMIN WARD,
SILVIO SERRANO, AND
PETER STRANG

File No. 2019-34

Adjudicators: Russell Juriansz (chair of the panel)
James Douglas

October 19, 2022

ORDER

WHEREAS on October 19, 2022, the Capital Markets Tribunal held a hearing by videoconference;

ON READING Silvio Serrano's motion regarding Staff of the Ontario Securities Commission's disclosure and a stay of proceedings (the **Serrano Stay Motion**) and on hearing the submissions of the representatives for Staff, and for each of the respondents;

IT IS ORDERED THAT:

1. Peter Strang shall serve and file his motion and motion record regarding Staff's disclosure and a stay of proceedings (the **Strang Stay Motion**) in this matter by 4:30 p.m. on November 10, 2022;

2. Staff shall serve and file any motion, including any materials to be relied upon, and written submissions regarding the procedure to follow for the Serrano Stay Motion and the Strang Stay Motion (the **Procedural Motion**) by 4:30 p.m. on November 21, 2022;

3. The respondents shall serve their responding materials on the Procedural Motion, if any, by 4:30 p.m. on December 2, 2022;

4. The Procedural Motion shall be heard by videoconference at 10:00 a.m. on December 16, 2022, or on such other date and time as may be agreed to by the parties and set by the Governance & Tribunal Secretariat; and

5. Staff's request to set dates for the respondents to serve and file their witness lists, serve a summary of each witness' anticipated evidence, and indicate any intention to call an expert witness, including providing the expert's name and the issues on which the expert will give evidence is reserved to the panel hearing the Serrano Stay Motion and the Strang Stay Motion.

"Russell Juriansz"

"James Douglas"

A.3.3 Troy Richard James Hogg et al.

IN THE MATTER OF
TROY RICHARD JAMES HOGG,
CRYPTOBONTIX INC.,
ARBITRADE EXCHANGE INC.,
ARBITRADE LTD.,
T.J.L. PROPERTY MANAGEMENT INC. AND
GABLES HOLDINGS INC.

File No. 2022-20

Adjudicators: Sandra Blake (chair of the panel)
Timothy Moseley

October 20, 2022

ORDER

WHEREAS on October 20, 2022, the Capital Markets Tribunal held a hearing by videoconference;

ON HEARING the submissions of the representatives for Staff of the Ontario Securities Commission and Troy Richard James Hogg, Arbitrade Exchange Inc., Gables Holdings Inc., and T.J.L. Property Management Inc., and no one appearing for Cryptobontix Inc. or Arbitrade Ltd.;

IT IS ORDERED THAT:

1. Staff shall disclose to each respondent non-privileged relevant documents and things in the possession or control of Staff, by 4:30 p.m. on November 18, 2022;

2. the respondents shall serve and file a motion, if any, regarding Staff's disclosure or seeking disclosure of additional documents, by 4:30 p.m. on February 6, 2023;

3. Staff shall serve and file a witness list, and serve a summary of each witness's anticipated evidence on the respondents, and indicate any intention to call an expert witness, including by providing the expert's name and the issues on which the expert will give evidence, by 4:30 p.m. on February 9, 2023; and

4. a further attendance in this matter is scheduled for February 16, 2023, at 10:00 a.m., by videoconference, or on such other date and times as may be agreed to by the parties and set by the Governance & Tribunal Secretariat.

"Sandra Blake"

"Timothy Moseley"

A.3.4 Mark Hamlin

IN THE MATTER OF
MARK HAMLIN

File No. 2022-16

Adjudicators: Andrea Burke (chair of the panel)
Timothy Moseley

July 19, 2022

CONFIDENTIAL ORDER

WHEREAS on July 19, 2022, the Capital Markets Tribunal held a confidential hearing by videoconference;

ON READING the application record filed and on hearing the submissions of the representatives for Mark Hamlin and for Staff of the Ontario Securities Commission;

IT IS ORDERED THAT:

1. Hamlin advise Staff and the Registrar of his position regarding the relief sought in paragraphs 2 and 3 of the Notice of Application, by no later than 5:00 p.m. on July 21, 2022;

2. Staff serve and file submissions of no longer than three pages, to address the jurisdiction of the Tribunal to make the order requested, by no later than 12:00 p.m. on July 26, 2022;

3. if Hamlin intends to pursue the relief sought in paragraphs 2 and/or 3 of the Notice of Application, he serve and file submissions of no longer than three pages regarding that request, by no later than 12:00 p.m. on July 26, 2022;

4. the parties serve and file responding submissions, if any, of no longer than three pages each, by no later than 9:00 a.m. on July 28, 2022;

5. the parties serve and file reply submissions, if any, of no longer than two pages each, by 12:00 p.m. on July 29, 2022; and

6. pursuant to subsection 2(2) of the *Tribunal Adjudicative Records Act, 2019*, SO 2019, c 7, Sch 60, and Rule 22(4) of the *Rules of Procedure*, the material filed with the Tribunal in connection with this application, and this Order, shall be kept confidential, pending any further order regarding the confidentiality of this application.

"Andrea Burke"

"Timothy Moseley"

A.3.5 Mark Hamlin

IN THE MATTER OF
MARK HAMLIN

File No. 2022-16

Adjudicators: Andrea Burke (chair of the panel)
Timothy Moseley

July 22, 2022

CONFIDENTIAL ORDER

WHEREAS on July 21, 2022, the Capital Markets Tribunal received a request in writing with respect to vacating the dates in the order dated July 19, 2022 in this proceeding;

ON READING the submissions of counsel for Mark Hamlin, and on receiving the consent of Staff of the Ontario Securities Commission to vacate the dates;

IT IS ORDERED THAT:

1. the dates as set out in the order dated July 19, 2022 are vacated; and

2. pursuant to subsection 2(2) of the *Tribunal Adjudicative Records Act, 2019*, SO 2019, c 7, Sch 60, and Rule 22(4) of the *Rules of Procedure*, this Order shall be kept confidential, pending any further order regarding the confidentiality of this application.

"Andrea Burke"

"Timothy Moseley"

A.3.6 Mark Hamlin – s. 2(2) of the TARA, subrule 22(4) of the Capital Markets Tribunal Rules of Procedure and Forms

IN THE MATTER OF
MARK HAMLIN

File No. 2022-16

Adjudicators: Andrea Burke (Chair of the panel)
Timothy Moseley

October 21, 2022

ORDER
(Subsection 2(2) of
the *Tribunal Adjudicative Records Act*, 2019,
SO 2019, c 7, Sch 60, and
Subrule 22(4) of
the Capital Markets Tribunal
Rules of Procedure and Forms)

WHEREAS on October 6, 2022, the Capital Markets Tribunal ordered that material filed in connection with this application no longer be kept confidential;

ON CONSIDERING that Hamlin is no longer seeking the confidentiality relief requested in paragraph 3 of his Application, dated July 8, 2022, and that the parties agree that nothing in the proceeding should be kept confidential;

IT IS ORDERED THAT:

1. the transcript of the confidential hearing held on July 19, 2022, is no longer confidential;

2. paragraph 6 of the order of July 19, 2022, requiring that that order be kept confidential is revoked, and that order shall therefore be available to the public; and

3. paragraph 2 of the order of July 22, 2022, requiring that that order be kept confidential, is revoked, and that order shall therefore be available to the public.

"Andrea Burke"

"Timothy Moseley"

A.3.7 First Global Data Ltd. et al.

IN THE MATTER OF
FIRST GLOBAL DATA LTD.,
GLOBAL BIOENERGY RESOURCES INC.,
NAYEEM ALLI,
MAURICE AZIZ,
HARISH BAJAJ AND
ANDRE ITWARU

File No. 2019-22

Adjudicator: Timothy Moseley

October 21, 2022

ORDER

WHEREAS the Capital Markets Tribunal held a hearing in writing to set a schedule for a sanctions and costs hearing in this proceeding;

ON READING the submissions of the representatives for Staff of the Ontario Securities Commission and of each of the respondents, no one appearing for First Global Data Ltd;

IT IS ORDERED THAT:

1. Staff shall serve and file written evidence, if any, and any witness summaries for oral evidence they intend to call at the sanctions hearing, and written submissions on sanctions and costs, by 4:30 p.m. on December 2, 2022;

2. the respondents shall each serve and file written evidence, if any, and any witness summaries for oral evidence they intend to call at the sanctions hearing, and written submissions on sanctions and costs, by 4:30 p.m. on January 26, 2023;

3. Staff shall serve and file reply written evidence, if any, and written reply submissions on sanctions and costs, if any, by 4:30 p.m. on February 16, 2023; and

4. oral evidence and submissions will take place on dates to be fixed by the Registrar.

“Timothy Moseley”

A.3.8 Cronos Group Inc. and William Hilson – ss. 127(1), 127.1

IN THE MATTER OF
CRONOS GROUP INC. AND
WILLIAM HILSON

File No. 2022-23

Adjudicators: Timothy Moseley (chair of the panel)
William J. Furlong

October 24, 2022

ORDER
(Subsection 127(1) and section 127.1 of the *Securities Act,* RSO 1990, c S.5)

WHEREAS on October 24, 2022, the Capital Markets Tribunal held a hearing by videoconference to consider an application made jointly by Staff of the Ontario Securities Commission and Cronos Group Inc. (**Cronos**) for approval of a settlement agreement dated October 19, 2022 (the **Settlement Agreement**);

ON READING the joint request for a settlement hearing, including the Statement of Allegations dated October 20, 2022, the Settlement Agreement, and the written submissions, and on hearing the submissions of the representatives for each of the parties, and on considering that Cronos has paid to the Commission the amounts of $1,300,000 and $40,000 referred to in paragraphs 2 and 4 below, in accordance with the terms of the Settlement Agreement;

IT IS ORDERED THAT:

1. the Settlement Agreement is approved;

2. Cronos shall pay an administrative penalty of $1,300,000 to the Commission pursuant to paragraph 9 of subsection 127(1) of the Act;

3. Cronos shall submit to a review by an independent consultant acceptable to the Commission and paid for by Cronos of practices and procedures including Cronos's compliance with requirements relating to ICFR, the terms of which are set forth in Schedule "A" to this Order, and institute such changes as the independent consultant recommends; and

4. Cronos shall pay costs of the Commission's investigation in the amount of $40,000, pursuant to section 127.1 of the Act.

"Timothy Moseley"

"William J. Furlong"

SCHEDULE "A"

IN THE MATTER OF
CRONOS GROUP INC. AND
WILLIAM HILSON

TERMS AND CONDITIONS OF
INDEPENDENT REVIEW OF PRACTICES AND PROCEDURES

This document is made in connection with the settlement agreement dated October 19, 2022 (the **Settlement Agreement**) in File No. 2022-23. All terms in this document have the same meaning as in the Settlement Agreement.

Cronos shall:

1. Retain, within thirty (30) days of the date of the Order, at its own expense a qualified independent consultant (the **Consultant**) not unacceptable to the OSC, to review the Respondent's internal accounting controls and ICFR. The Consultant's review and evaluation shall include an assessment of the following:

    (a) The effectiveness of Cronos' internal accounting controls in light of Cronos' business strategy. The review shall include, but not be limited to, a review of the Company's policies, procedures, and controls, relating to (i) revenue recognition, including in its wholesale channel and non-routine transactions, and (ii) the assessment and testing of goodwill and intangible assets for impairment;

    (b) Cronos' compliance with Ontario securities laws related to ICFR, including but not limited to, the adequacy of Cronos' control environment and risk assessment based upon criteria established in the Internal Control - Integrated Framework (2013) by the Committee of Sponsoring Organizations of the Treadway Commission (**COSO**);

    (c) Cronos' employment of a sufficient number of accounting and finance personnel with an understanding of applicable GAAP and financial reporting requirements, as well as the reporting lines of accounting and finance personnel to management and the Board of Directors; and

    (d) Cronos' training of its employees on matters related to applicable GAAP as well as financial reporting requirements.

2. Provide, within forty-five (45) days of the date of this Order, a copy of the engagement letter detailing the Consultant's responsibilities to a Manager of the Enforcement Branch of the OSC.

3. Require the Consultant, at the conclusion of the review, which in no event shall be more than 120 days after the date of the Order, to submit a report of the Consultant to the Respondent and a Manager of the Corporate Finance Branch of the OSC. The report shall address the Consultant's findings and shall include a description of the review performed, the conclusions reached, and the Consultant's recommendations for changes or improvements.

4. Adopt, implement, and maintain all policies, procedures and practices recommended in the report of the Consultant within 120 days of receiving the report from the Consultant. As to any of the Consultant's recommendations about which the Respondent and the Consultant do not agree, such parties shall attempt in good faith to reach agreement within 180 days of the date of the date of the Order. In the event that the Respondent and the Consultant are unable to agree on an alternative proposal, the Respondent will abide by the determination of the Consultant and adopt those recommendations deemed appropriate by the Consultant.

5. Cooperate fully with the Consultant in its review, including making such information and documents available as the Consultant may reasonably request, and by permitting and requiring the Respondent's employees and agents to supply such information and documents as the Consultant may reasonably request, subject to any applicable privilege.

6. To ensure the independence of the Consultant, the Respondent (i) shall not have received legal, auditing, or other services from, or have had any affiliations with, the Consultant during the two years prior to the date of this Order; (ii) shall not have the authority to terminate the Consultant without prior written approval of the OSC; and (iii) shall compensate the Consultant for services rendered pursuant to the Order at their reasonable and customary rates.

7. Require the Consultant to enter into an agreement that provides that for the period of engagement and for a period of two years from completion of the engagement, the Consultant shall not enter into any employment, consultant, attorney-client, auditing or other professional relationship with Respondent, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity. The agreement will also provide that the Consultant will require that any firm with which they are affiliated or of which they are a member, and any person engaged to assist the Consultant in performance of their duties under this order shall not, without prior written consent of the OSC, enter into

any employment, consultant, attorney-client, auditing or other professional relationship with the Respondent, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of engagement and for a period of two years after the engagement.

8. The reports by the Consultant will likely include confidential financial, proprietary, competitive business or commercial information. Public disclosure of the reports could discourage cooperation, impede pending or potential government investigations or undermine the objectives of the reporting requirement. For these reasons, among others, the reports and the contents thereof are intended to remain and shall remain non-public, except (1) pursuant to court order, (2) as agreed to by the parties in writing, (3) to the extent that the OSC determines in its sole discretion that disclosure would be in furtherance of the OSC's discharge of its duties and responsibilities, or (4) is otherwise required by law.

9. Require the Consultant to report to a Manager of the Enforcement Branch of the OSC on its activities as the OSC may request.

10. Respondent agrees that the OSC may extend any of the dates set forth above at its discretion.

11. Certify, in writing, compliance with the requirements(s) set forth above. The certification shall identify the requirements(s), provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The OSC may make reasonable request for further evidence of compliance, and the Respondent agrees to provide such evidence. The certification and reporting material shall be submitted to the Manager of the Corporate Finance Branch of the OSC no later than thirty days (30) from the date of the completion of the requirements.

IN THE MATTER OF
CRONOS GROUP INC.

SETTLEMENT AGREEMENT

PART I – INTRODUCTION

1. Ontario companies strive to be world leaders in the cannabis space. When public cannabis companies issue financial statements that do not provide accurate information about their financial performance and condition and fail to have adequate controls, they undermine confidence in Ontario's capital markets and leadership in the cannabis space.

2. Cronos Group Inc., an Ontario-based public cannabis company, is being held accountable for improperly recognizing $7.6 million (US $5.8 million) in revenue in its Q1, Q2 and Q3 2019 interim financial statements and for subsequently overstating virtually all of its U.S. goodwill and a significant portion of its U.S. intangible assets by a collective amount of $234.9 million in its Q2 2021 interim financial statements.

3. Cronos restated its Q1, Q2 and Q3 2019 interim financial statements to correct the revenue recognition error upon determining that they had not been prepared in accordance with generally accepted accounting principles (**GAAP**). The Company again restated its interim financial statements, this time for Q2 2021, to correct its failure to recognize impairment charges for goodwill and intangible assets relating to the U.S. reporting unit. In both instances, Cronos reported related material weaknesses in internal control over financial reporting (**ICFR**).

4. The parties will jointly file a request that the Capital Markets Tribunal (the **Tribunal**) issue a Notice of Hearing to announce it will hold a hearing to consider whether, pursuant to section 127 of the *Securities Act*, RSO 1990, c S.5 (the **Act**), it is in the public interest for the Tribunal to make certain orders against the Respondent.

PART II – JOINT SETTLEMENT RECOMMENDATION

5. Cronos Group Inc. (**Cronos**, the **Company**, or the **Respondent**), consents to the making of an order (the **Order**) substantially in the form attached as Schedule "A" to this Settlement Agreement based on the facts set out in this Settlement Agreement.

6. For the purposes of this proceeding, and any other regulatory proceeding commenced by a Canadian securities regulatory authority only, the Respondent agrees with the facts set out in Part III of this Settlement Agreement and the conclusion in Part IV of this Settlement Agreement.

PART III – AGREED FACTS

A. Cronos Uncovers Revenue Recognition Errors in Financial Reporting

7. On February 24, 2020, Cronos publicly announced that it was delayed in completing its 2019 annual financial statements and that it would delay its 2019 fourth quarter and full-year earnings release and conference call.

8. Cronos is a licensed cannabis producer in Canada with international production and distribution. The Company is listed on the TSX (CRON) and NASDAQ (CRON) with a market capitalization of $1.19 billion as of August 29, 2022. Cronos's brand portfolio includes Peace Naturals, Spinach and hemp-derived CBD brands, Lord Jones, Happy Dance and Peace+.

9. On March 2, 2020, Cronos disclosed that it filed a Form 12b-25 (Notification of Late Filing) with the U.S. Securities and Exchange Commission (**SEC**) for a 15-day extension of the due date to file its Form 10-K for the year ended December 31, 2019. The Company disclosed that it had been unable to complete its financial statements for fiscal 2019 due to a continuing review by the Audit Committee (the **Audit Committee**) of the Company's Board of Directors (the **Board**), with the assistance of outside counsel and forensic accountants, of several bulk resin purchases and sales of products through the wholesale channel (the **Transactions)** and the appropriateness of the recognition of revenue from the Transactions.

10. On March 17, 2020, Cronos filed a Material Change Report with the OSC and announced that, on the recommendation of its Audit Committee and after consultation with its auditors, its previously issued unaudited interim financial statements for the first, second and third quarters of 2019 would be restated and reissued and should no longer be relied upon.

11. The Company disclosed that its Audit Committee had been conducting a review of the Transactions and the restatement was being made to eliminate certain of these transactions. It announced that it would reduce revenue by $2.5 million (US $1.9 million) for the three months ended March 31, 2019, and by $5.1 million (US $3.9 million) for the three months ended September 30, 2019. The Company further disclosed that, in connection with the restatement, it anticipated that it would report one or more material weaknesses in ICFR when it filed its Form 10-K.

12. On March 30, 2020, the Company announced that the Audit Committee had completed its review of the Transactions and that the Board had determined, on the recommendation of the Audit Committee and advice from its auditor, that the Company would restate its unaudited interim financial statements for the first, second and third quarters of 2019.

13. Cronos filed the restated interim financial statements on March 30, 2020.

14. The restated interim financial statements disclosed that the Audit Committee review had concluded that there were accounting errors in the previously issued interim financial statements for the first and third quarters of 2019 (Q1 2019 and Q3 2019, respectively). In particular, the Company reduced revenue for the three months ended March 31, 2019, by $2.5 million (US $1.9 million) and the three months ended September 30, 2019, by $5.1 million (US $3.9 million).

a. Q1 2019 Revenue Recognition Errors

15. In the three months ended March 31, 2019, the revenue recognition error was due to one wholesale transaction that was inappropriately accounted for as revenue in the Company's originally issued interim financial statements for Q1 2019. The transaction involved the exchange of cannabis dry flower for cannabis resin, with a third party, in two simultaneous transactions entered into in contemplation of one another.

16. This transaction did not meet the criteria for revenue recognition in accordance with GAAP, in this case International Financial Reporting Standards (**IFRS**). The standard applicable to revenue recognition for the transaction was IFRS 15, *Revenue from Contracts with Customers.*

17. This transaction lacked commercial substance and therefore revenue should not have been recognized. As a result, Cronos had overstated revenue by approximately $2.5 million (US $1.9 million) on the Consolidated Statements of Operations and Comprehensive Income (Loss) in the original Q1 2019 interim financial statements.

b. Q3 2019 Revenue Recognition Errors

18. During the three months ended September 30, 2019, there was a similar wholesale transaction involving the exchange of cannabis dry flower for cannabis extracts in three simultaneous transactions which were entered into in contemplation of one another with the same third party.

19. This transaction did not meet the criteria for revenue recognition in accordance with GAAP, in this case IFRS. This transaction lacked commercial substance and therefore revenue should not have been recognized. As a result, Cronos had overstated revenue by approximately $2.1 million (US $1.6 million) on the Consolidated Statements of Operations and Comprehensive Income (Loss) in the original interim financial statements for the three and nine months ended September 30, 2019.

20. During the three months ended September 30, 2019, there was a further wholesale transaction for a sale of dried cannabis to a different third party for which revenue was improperly recognized.

21. This further wholesale transaction did not meet the criteria for revenue recognition in accordance with IFRS 15 because it was deemed to be a consignment sale and lacked commercial substance. As a result, Cronos had overstated revenue by approximately $3.0 million (US $2.3 million) on the Consolidated Statements of Operations and Comprehensive Income (Loss) in the Q3 2019 interim financial statements.

c. Material Weaknesses in ICFR: March 2020

22. On March 30, 2020, the Company filed Amended and Restated Management's Discussion and Analysis of Financial Condition and Results of Operations (**MD&A**) for the first, second and third quarters of 2019.

23. Each of the MD&A for the first, second and third quarters of 2019 disclosed that as of the end of the reporting period, due to material weaknesses, ICFR was not effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with applicable accounting standards.

24. A material weakness is a deficiency, or combination of deficiencies in ICFR, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

25. Cronos identified material weaknesses in the following areas:

    (a) *Segregation of Duties*: The Company did not maintain adequately designed controls on segregation of purchase and sale responsibilities to ensure accurate recognition of revenue in accordance with IFRS;

(b) *Non-Routine Transactions*: The Company's controls were not effective to ensure that non-routine transactions, including deviations from contractually established sales terms, were authorized, communicated, identified, and evaluated for their potential effect on revenue recognition; and

(c) *Risk Assessment:* The Company did not appropriately design controls to monitor and respond to changes in its business in relation to their transactions in the wholesale market.

26. Because of the segregation of duties and non-routine transaction deficiencies, the Company restated its interim financial statements in respect of the Transactions to correct the identified misstatements. While the risk assessment deficiency did not directly result in a misstatement, it was a contributing factor in the other material weaknesses described above.

27. Together, these deficiencies created a reasonable possibility that a material misstatement to the consolidated financial statements would not have been prevented or detected on a timely basis.

B. Cronos Uncovers Errors in Goodwill and Indefinite-Lived Tangible Assets

28. On November 9, 2021, Cronos publicly announced that it had been unable to complete its interim financial statements for the three and nine months ended September 30, 2021 because its Audit Committee required additional time to evaluate goodwill and indefinite-lived intangible assets. Cronos also announced that it expected to record an impairment charge of not less than US $220 million on goodwill and indefinite-lived intangible assets for the three and six months ended June 30, 2021.

29. On the same date, Cronos filed a Material Change Report with the OSC, in which it stated that on the recommendation of its Audit Committee and after consultation with its auditor, the Company would be required to restate its previously issued unaudited interim financial statements for the three and six month period ending June 30, 2021, and that those financial statements should no longer be relied upon. The Company also filed Forms 8-K and 12b-25 with both the OSC and the SEC.

30. On February 18, 2022, Cronos filed restated interim financial statements and an Amended and Restated MD&A for the three and six month period ending June 30, 2021 as the previously filed financial statements had not been prepared in accordance with GAAP, in this case US GAAP. Cronos disclosed that it had performed an interim impairment test on its U.S. reporting unit and the Lord Jones brand, as of June 30, 2021, to determine whether the carrying amount of the reporting unit and indefinite-lived intangible asset, the Lord Jones brand, exceeded their respective fair values. As a result of its analyses, the Company concluded that it should have recorded an impairment charge of US $234.9 million on goodwill and indefinite-lived intangible assets related to its U.S. reporting unit.

C. Material Weaknesses in ICFR: February 2022

31. On February 18, 2022, the Company disclosed that its ICFR was ineffective due to the existence of material weaknesses. The material weaknesses contributed to the failure to accurately recognize the value of its goodwill and indefinite-lived intangible assets. Specifically, the Company:

(a) did not ensure that senior accounting personnel engaged consistently in appropriate professional conduct and conduct consistent with the Company's code of business conduct and ethics; and

(b) lacked accounting personnel with appropriate level of knowledge and experience in US GAAP.

D. MITIGATING FACTORS

32. The following mitigating factors are relevant to Cronos' revenue recognition errors stemming from material weaknesses in ICFR:

(a) *Cronos' Investigation* – Cronos had mechanisms in place for employees to submit internal tips and complaints. In addition, Cronos promptly took steps to evaluate employee complaints, including by conducting an internal investigation under the supervision of its Audit Committee, which eventually led to the discovery of material accounting errors in the first and third quarters of 2019;

(b) *Co-operation* - Upon learning of the potential for material accounting errors in previously filed reports, and prior to the completion of its internal investigation, Cronos promptly reported information to the OSC related to potential violations of securities laws in the first quarter and third quarter of 2019 and cooperated with the OSC. Cronos provided timely updates to the OSC and voluntarily produced documents, reports, and other materials, including factual information learned during the course of its internal investigation into the material accounting errors. Cronos further facilitated interviews of current and former officers and employees, including individuals residing outside of Canada;

(c) *Restatement* - On March 30, 2020, Cronos filed amended and restated interim financial statements and MD&A; and

(d) *Remediation* – Cronos identified and implemented several enhancements to remediate the identified weaknesses in ICFR, including developing and implementing new internal accounting controls, developing a new training program regarding accounting related matters, and hiring additional staff with familiarity with applicable accounting requirements.

33. The following mitigating factors are relevant to Cronos' failure to impair goodwill and indefinite-lived intangible assets stemming from material weaknesses in ICFR:

a. *Cronos' Investigation* – Cronos had mechanisms in place for employees to submit internal tips and complaints. In addition, Cronos promptly took steps to evaluate a complaint submitted by an employee, including by conducting an internal investigation under the supervision of its Audit Committee, which eventually led to the discovery of material accounting errors in the second quarter of 2021;

b. *Co-operation* – Upon learning of the potential for material accounting errors in reports previously filed with the OSC and SEC, and prior to the completion of its internal investigation, Cronos promptly self-reported to OSC and SEC staff information related to potential violations of securities laws in the first quarter and third quarter of 2019. The Company applied for a management cease trade order and fully cooperated with OSC, including by providing all requested information promptly and in a transparent manner. Cronos provided timely updates to OSC staff and voluntarily produced documents, reports, and other materials, including factual information learned during the course of its internal investigation into the material accounting errors;

c. *Restatement* – On February 18, 2022, Cronos filed amended and restated interim financial statements and MD&A for the second quarter of 2021; and

d. *Remediation* - Cronos undertook remedial measures upon learning of the material accounting errors, including developing and implementing new internal accounting controls, developing a new training program regarding accounting related matters, and hiring additional staff with familiarity with applicable GAAP requirements.

PART IV – NON-COMPLIANCE WITH ONTARIO SECURITIES LAW [AND/OR] CONDUCT CONTRARY TO THE PUBLIC INTEREST

34. By engaging in the conduct described above, the Respondent acknowledges and admits that:

(a) the Respondent failed to file interim financial statements prepared in accordance with applicable GAAP, contrary to s. 77 of the *Act*; and

(b) the Respondent acted in a manner contrary to the public interest

PART VI – TERMS OF SETTLEMENT

35. The Respondent agrees to the terms of settlement set forth below.

36. The Respondent consents to the Order substantially in the form attached to this Settlement Agreement as Schedule "A", pursuant to which it is ordered that:

(a) this Settlement Agreement is approved;

(b) the Respondent pay an administrative penalty in the amount of $1,300,000 by wire transfer before the commencement of the Settlement Hearing, pursuant to paragraph 9 of subsection 127(1) of the Act;

(c) Cronos shall submit to a review by an independent consultant, acceptable to the Commission and paid for by Cronos, of practices and procedures including Cronos' compliance with requirements relating to ICFR, the terms of which are set forth in Schedule "A" to the Order, and institute such changes as the independent consultant recommends; and

(d) the Respondent pay costs in the amount of $40,000 by wire transfer before the commencement of the Settlement Hearing, pursuant to section 127.1 of the Act.

37. The Respondent consents to a regulatory order made by any provincial or territorial securities regulatory authority in Canada containing any or all of the sanctions set out in paragraph 36, other than subparagraphs 36 (b) and (d). The applicable sanctions may be modified to reflect the provisions of the relevant provincial or territorial securities law.

38. The Respondent acknowledges that this Settlement Agreement and the Order may form the basis for orders of parallel effect (but, for clarity, without duplication of the sanctions set out in subparagraphs 36 (b) and (d)) in other jurisdictions in Canada. The securities laws of some other Canadian jurisdictions allow orders made in this matter to take effect in those other jurisdictions automatically, without further notice to the Respondent. The Respondent should contact the securities regulator of any other jurisdiction in which the Respondent intends to engage in any securities- or derivatives-related activities, prior to undertaking such activities.

PART VII – FURTHER PROCEEDINGS

39. If the Tribunal approves this Settlement Agreement, no enforcement proceeding will be commenced or continued against the Respondent under Ontario securities law based on the misconduct described in Part III of this Settlement Agreement, unless the Respondent fails to comply with any term in this Settlement Agreement.

40. If the Respondent fails to comply with any term in this Settlement Agreement, enforcement proceedings under Ontario securities law may be brought against the Respondent.

41. The Respondent waives any defences to a proceeding referenced in paragraph 39 or 40 that are based on the limitation period in the Act, provided that no such proceeding shall be commenced later than six years from the date of the occurrence of the last failure to comply with this Settlement Agreement.

PART VIII – PROCEDURE FOR APPROVAL OF SETTLEMENT

42. The parties will seek approval of this Settlement Agreement at the Settlement Hearing before the Tribunal, which shall be held on a date determined by Registrar, Governance & Tribunal Secretariat of the Commission in accordance with this Agreement and the Tribunal's *Rules of Procedure and Forms*.

43. Representatives of the Respondent will attend the Settlement Hearing by video conference.

44. The parties confirm that this Settlement Agreement sets forth all facts that will be submitted at the Settlement Hearing, unless the parties agree that additional facts should be submitted at the Settlement Hearing.

45. If the Tribunal approves this Settlement Agreement:

    (a) the Respondent irrevocably waives all rights to a full hearing, judicial review or appeal of this matter under the Act; and

    (b) neither party will make any public statement that is inconsistent with this Settlement Agreement or with any additional agreed facts submitted at the Settlement Hearing.

46. Whether or not the Tribunal approves this Settlement Agreement, the Respondent will not use, in any proceeding, this Settlement Agreement or the negotiation or process of approval of this Settlement Agreement as the basis for any attack on the Tribunal's jurisdiction, alleged bias, alleged unfairness or any other remedies or challenges that may be available.

PART IX - DISCLOSURE OF SETTLEMENT AGREEMENT

47. If the Tribunal does not make the Order:

    (a) this Settlement Agreement and all discussions and negotiations between the parties before the Settlement Hearing will be without prejudice to either party; and

    (b) the parties will each be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing on the merits of the allegations contained in the Statement of Allegations in respect of the Proceeding. Any such proceedings, remedies and challenges will not be affected by this Settlement Agreement, or by any discussions or negotiations relating to this Settlement Agreement.

48. The parties will keep the terms of this Settlement Agreement confidential until the Tribunal approves the Settlement Agreement, except as is necessary to make submissions at the Settlement Hearing. If, for whatever reason, the Tribunal does not approve the Settlement Agreement, the terms of the Settlement Agreement shall remain confidential indefinitely, unless the parties otherwise agree in writing or if required by law.

PART X – EXECUTION OF SETTLEMENT AGREEMENT

49. This Settlement Agreement may be signed in one or more counterparts which together constitute a binding agreement.

50. An electronic copy of any signature will be as effective as an original signature.

DATED at Toronto, Ontario, this 17th day of October, 2022.

CRONOS GROUP INC.

I have authority to bind the Corporation.

"Terry Doucet"
Senior Vice President, Legal, Regulatory Affairs and Corporate Secretary

DATED at Toronto, Ontario, this 19 day of October, 2022.

ONTARIO SECURITIES COMMISSION

"Jeff Kehoe"
Director, Enforcement Branch

SCHEDULE "A"
FORM OF ORDER

IN THE MATTER OF
CRONOS GROUP INC.

File No.

(Names of panelists comprising the panel)

(Day and date order made)

ORDER
(Sections 127 and 127.1 of the *Securities Act,* RSO 1990, c. S.5)

WHEREAS on [**date**] the Capital Markets Tribunal held a hearing by videoconference to consider the request for approval of settlement agreement dated **[date**] (the **Settlement Agreement**);

ON READING the Joint Application for Settlement Hearing, including the Statement of Allegations dated [**date**] and the Settlement Agreement, the written submissions, and on hearing the submissions of representatives of each of the parties, and on considering Cronos Group Inc. (**Cronos**) having made payment of each of $1,300,000 and $40,000 to the Commission in accordance with the terms of the Settlement Agreement,

IT IS ORDERED that:

1. the Settlement Agreement is approved;

2. Cronos shall pay an administrative penalty of $1,300,000 to the Commission by wire transfer before the commencement of the Settlement Hearing pursuant to paragraph 9 of subsection 127(1) of the Act;.

3. Cronos shall submit to a review by an independent consultant acceptable to the Commission and paid for by Cronos of practices and procedures including Cronos' compliance with requirements relating to ICFR, the terms of which are set forth in Schedule "A" to this Order, and institute such changes as the independent consultant recommends; and

4. Cronos shall pay costs of the Commission's investigation in the amount of $40,000 by wire transfer before the commencement of the Settlement Hearing pursuant to section 127.1 of the Act.

_____

[Adjudicator]

_____ _____

[Adjudicator] [Adjudicator]

SCHEDULE "A"

IN THE MATTER OF
CRONOS GROUP INC.

TERMS AND CONDITIONS OF
INDEPENDENT REVIEW OF PRACTICES AND PROCEDURES

This document is made in connection with the settlement agreement dated [date] (the **Settlement Agreement**) in File No. [XXX]. All terms in this document have the same meaning as in the Settlement Agreement.

Cronos shall:

1. Retain, within thirty (30) days of the date of the Order, at its own expense a qualified independent consultant (the **Consultant**) not unacceptable to the OSC, to review the Respondent's internal accounting controls and ICFR. The Consultant's review and evaluation shall include an assessment of the following:

   (a) The effectiveness of Cronos' internal accounting controls in light of Cronos' business strategy. The review shall include, but not be limited to, a review of the Company's policies, procedures, and controls, relating to (i) revenue recognition, including in its wholesale channel and non-routine transactions, and (ii) the assessment and testing of goodwill and intangible assets for impairment;

   (b) Cronos' compliance with Ontario securities laws related to ICFR, including but not limited to, the adequacy of Cronos' control environment and risk assessment based upon criteria established in the Internal Control - Integrated Framework (2013) by the Committee of Sponsoring Organizations of the Treadway Commission (**COSO**);

   (c) Cronos' employment of a sufficient number of accounting and finance personnel with an understanding of applicable GAAP and financial reporting requirements, as well as the reporting lines of accounting and finance personnel to management and the Board of Directors; and

   (d) Cronos' training of its employees on matters related to applicable GAAP as well as financial reporting requirements.

2. Provide, within forty-five (45) days of the date of this Order, a copy of the engagement letter detailing the Consultant's responsibilities to a Manager of the Enforcement Branch of the OSC.

3. Require the Consultant, at the conclusion of the review, which in no event shall be more than 120 days after the date of the Order, to submit a report of the Consultant to the Respondent and a Manager of the Corporate Finance Branch of the OSC. The report shall address the Consultant's findings and shall include a description of the review performed, the conclusions reached, and the Consultant's recommendations for changes or improvements.

4. Adopt, implement, and maintain all policies, procedures and practices recommended in the report of the Consultant within 120 days of receiving the report from the Consultant. As to any of the Consultant's recommendations about which the Respondent and the Consultant do not agree, such parties shall attempt in good faith to reach agreement within 180 days of the date of the date of the Order. In the event that the Respondent and the Consultant are unable to agree on an alternative proposal, the Respondent will abide by the determination of the Consultant and adopt those recommendations deemed appropriate by the Consultant.

5. Cooperate fully with the Consultant in its review, including making such information and documents available as the Consultant may reasonably request, and by permitting and requiring the Respondent's employees and agents to supply such information and documents as the Consultant may reasonably request, subject to any applicable privilege.

6. To ensure the independence of the Consultant, the Respondent (i) shall not have received legal, auditing, or other services from, or have had any affiliations with, the Consultant during the two years prior to the date of this Order; (ii) shall not have the authority to terminate the Consultant without prior written approval of the OSC; and (iii) shall compensate the Consultant for services rendered pursuant to the Order at their reasonable and customary rates.

7. Require the Consultant to enter into an agreement that provides that for the period of engagement and for a period of two years from completion of the engagement, the Consultant shall not enter into any employment, consultant, attorney-client, auditing or other professional relationship with Respondent, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity. The agreement will also provide that the Consultant will require that any firm with which they are affiliated or of which they are a member, and any person engaged to assist the Consultant in performance of their duties under this order shall not, without prior written consent of the OSC, enter into any employment, consultant, attorney-client, auditing or other professional relationship with the Respondent, or any of

its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of engagement and for a period of two years after the engagement.

8. The reports by the Consultant will likely include confidential financial, proprietary, competitive business or commercial information. Public disclosure of the reports could discourage cooperation, impede pending or potential government investigations or undermine the objectives of the reporting requirement. For these reasons, among others, the reports and the contents thereof are intended to remain and shall remain non-public, except (1) pursuant to court order, (2) as agreed to by the parties in writing, (3) to the extent that the OSC determines in its sole discretion that disclosure would be in furtherance of the OSC's discharge of its duties and responsibilities, or (4) is otherwise required by law.

9. Require the Consultant to report to a Manager of the Enforcement Branch of the OSC on its activities as the OSC may request.

10. Respondent agrees that the OSC may extend any of the dates set forth above at its discretion.

11. Certify, in writing, compliance with the requirements(s) set forth above. The certification shall identify the requirements(s), provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The OSC may make reasonable request for further evidence of compliance, and the Respondent agrees to provide such evidence. The certification and reporting material shall be submitted to the Manager of the Corporate Finance Branch of the OSC no later than thirty days (30) from the date of the completion of the requirements.

A.3.9 Cronos Group Inc. and William Hilson – ss. 127(1), 127.1

IN THE MATTER OF
CRONOS GROUP INC. AND
WILLIAM HILSON

File No. 2022-23

Adjudicators: Timothy Moseley (chair of the panel)
William J. Furlong

October 24, 2022

ORDER
(Subsection 127(1) and section 127.1 of the *Securities Act,* RSO 1990, c S.5)

WHEREAS on October 24, 2022, the Capital Markets Tribunal held a hearing by videoconference to consider an application made jointly by Staff of the Ontario Securities Commission and William Hilson for approval of a settlement agreement dated October 20, 2022 (the **Settlement Agreement**);

ON READING the joint request for a settlement hearing, including the Statement of Allegations dated October 20, 2022, the Settlement Agreement, and the written submissions, and on hearing the submissions of the representatives for each of the parties, and on considering that Hilson has paid to the Commission the amounts of $50,000 and $20,000 referred to in paragraphs 2 and 3 below, in accordance with the terms of the Settlement Agreement;

IT IS ORDERED THAT:

1. the Settlement Agreement is approved;

2. Hilson shall make a voluntary payment in the amount of $50,000 to the Commission;

3. Hilson shall pay costs of the Commission's investigation in the amount of $20,000, pursuant to section 127.1 of the Act; and

4. Hilson shall be prohibited from acting as a director or officer of any reporting issuer for a period of one year, pursuant to paragraph 8 of subsection 127(1) of the Act.

"Timothy Moseley"

"William J. Furlong"

IN THE MATTER OF
WILLIAM HILSON

SETTLEMENT AGREEMENT

PART I – INTRODUCTION

1. William Hilson was Cronos' Chief Financial Officer and later its Chief Commercial Officer. In his role as Chief Commercial Officer, Hilson was involved in a 2019 transaction in which Cronos, a public cannabis company, improperly recognized $3 million in revenue. In Hilson's role and as a Chartered Professional Accountant, he understood the need for the transaction to be properly accounted for by Cronos in its interim financial statements. He acknowledges that he failed to take appropriate steps to address the handling of revenue recognition issues for this transaction by Cronos. The interim financial statements in respect of this transaction were not prepared in accordance with generally accepted accounting principles.

2. When public cannabis companies issue financial statements that do not provide accurate information about their financial performance and condition and fail to have adequate controls, they undermine confidence in the Ontario's capital markets and leadership in the cannabis space.

3. The parties will jointly file a request that the Capital Markets Tribunal (the **Tribunal**) issue a Notice of Hearing to announce it will hold a hearing to consider whether, pursuant to section 127 of the *Securities Act*, RSO 1990, c S.5 (the **Act**), it is in the public interest for the Tribunal to make certain orders against the Respondent, Hilson.

PART II – JOINT SETTLEMENT RECOMMENDATION

4. The Respondent consents to the making of an order (the **Order**) substantially in the form attached as Schedule "A" to this Settlement Agreement based on the facts set out in this Settlement Agreement.

5. For the purposes of the Proceeding, and any other regulatory proceeding commenced by a securities regulatory authority, the Respondent agrees with the facts set out in Part III of this Settlement Agreement and the conclusion in Part IV of this Settlement Agreement.

PART III – AGREED FACTS

A. Hilson's Role at Cronos and the Transaction

6. Hilson is a Chartered Professional Accountant with a Master's of Science degree in clinical biochemistry. From about September 2016 until April 15, 2019, Hilson acted as CFO for Cronos Group Inc. (**Cronos** or the **Company**). From April 15, 2019 to December 31, 2019, Hilson was Cronos' Chief Commercial Officer.

7. Cronos is a licensed cannabis producer in Canada with international production and distribution across five continents. The Company is listed on the TSX (CRON) and NASDAQ (CRON) with a market capitalization of about $1.19 billion as of August 29, 2022. Cronos' portfolio includes Peace Naturals, Spinach and hemp derived CBD brands, Lord Jones, Happy Dance and Peace+.

8. In July 2019, while Hilson was Cronos' Chief Commercial Officer, Cronos entered into an agreement with a third party titled "Contract Manufacturing Agreement" (**CMO Agreement**) governing the arrangements by which the third party was to provide manufacturing services to Cronos, specifically for the manufacture of vape cartridges. Under the CMO Agreement the biomass could be supplied by Cronos or sourced on its behalf. The CMO Agreement stipulated that Cronos retained title and ownership of the biomass at all times.

9. Hilson had input into the terms of the CMO Agreement and was aware of its terms. He made the CMO Agreement available to Cronos' accounting department for assessment of revenue recognition.

10. In the third quarter of 2019, Hilson played a significant role in a transaction in which Cronos improperly recognized $3 million in revenue. In that transaction, Cronos entered into a wholesale transaction to sell dried cannabis to the counterparty to the CMO Agreement (the **Q3 Transaction**).

11. Hilson negotiated the Q3 Transaction and its payment terms on behalf of Cronos.

12. Cronos' accounting department prepared its quarterly financial statements, which included the assessment of the Q3 Transaction for revenue recognition purposes.

13. In his role as Chief Commercial Officer, Hilson was not required to certify or approve Cronos' quarterly financial statements. However, on November 8, 2019, Hilson signed an "Internal Control Certification" in connection with the quarterly financial statements and related reported information as of and for the three months ending September 30,

2019. Hilson confirmed in the signed certification that the interim financial statements were accurate and fairly presented in all material respects Cronos' financial condition, results of operations, and cash flows as they related to his area of responsibility.

14. The Q3 Transaction did not, in fact, meet the criteria for revenue recognition in accordance with applicable generally accepted accounting principles, in this case International Financial Reporting Standards (**IFRS**). The standard applicable to revenue recognition for the transaction was IFRS 15, *Revenue from Contracts with Customers*.

15. The Q3 Transaction did not meet the criteria for revenue recognition because it was deemed to be a consignment sale. As a result, Cronos had overstated revenue by approximately $3 million, overstated cost of sales by approximately $1.7 million, and overstated realized fair value adjustment on inventory by approximately $3.3 million in its Consolidated Statements of Operations and Comprehensive Income (Loss), in the interim financial statements for the three and nine months ended September 30, 2019 (the **Q3 2019 Interim Financial Statements**).

16. Hilson failed to take appropriate steps to address the handling of revenue recognition issues for the Q3 Transaction by Cronos, including by not ensuring that an analysis of revenue recognition in respect of the transaction had been prepared and considered by the Company prior to its completion of Q3 2019 Interim Financial Statements.

B. Cronos Uncovers Errors in Financial Reporting

17. On February 24, 2020, Cronos announced that it was delayed in completing its 2019 financial statements and that it would delay its 2019 fourth quarter and full-year earnings release and conference call.

18. On March 2, 2020, Cronos disclosed that it filed a Form 12b-25 with the SEC for a 15-day extension of the due date to file its Form 10-K for the year ended December 31, 2019. The Company disclosed that it had been unable to complete its financial statements for fiscal 2019 due to a continuing review by the Audit Committee of the Company's Board of Directors, with the assistance of outside counsel and forensic accountants, of several bulk resin purchases and sales of products through the wholesale channel and the appropriateness of the recognition of revenue from the transactions. The Q3 Transaction was one of these transactions.

19. On March 17, 2020, Cronos announced that, on the recommendation of its Audit Committee and after consultation with its auditors, KPMG LLP, its previously issued unaudited interim financial statements for the first, second and third quarters of 2019 prepared in accordance with IFRS would be restated and reissued and should no longer be relied upon.

20. The Company disclosed that its Audit Committee had been conducting a review of the transactions, including the Q3 Transaction, and the restatement was being made to eliminate certain of these transactions through the wholesale channel. The Company further disclosed that, in connection with the restatement, it anticipated that it would report one or more material weakness in internal control over financial reporting (**ICFR**) when it filed its Form 10-K.

21. On March 30, 2020, the Company announced that the Audit Committee had completed its review of the transactions and the Board had determined, on the recommendation of the Audit Committee and advice from KPMG, that the Company would restate its unaudited interim financial statements for the first, second and third quarters of 2019.

22. The restated interim financial statements, prepared in accordance with IFRS, were filed on March 30, 2020.

23. The restated interim financial statements disclosed that the Audit Committee review had concluded that there were accounting errors in the previously issued interim financial statements for the first and third quarters of 2019 (Q1 2019 and Q3 2019, respectively).

PART IV – CONDUCT CONTRARY TO THE PUBLIC INTEREST

24. Hilson is a Chartered Professional Accountant and was Cronos' former CFO. He had knowledge of Cronos' wholesale business and the CMO Agreement and negotiated the Q3 Transaction. The Q3 2019 Interim Financial Statements prepared by Cronos which recognized revenue for the Q3 Transaction were not in accordance with generally accepted accounting principles.

25. By engaging in the conduct described in Part III of this agreement, Hilson failed to take appropriate steps to address the handling of revenue recognition issues for the Q3 Transaction by Cronos. This failure constitutes conduct contrary to the public interest.

PART V – MITIGATING FACTORS

26. Hilson reached a timely resolution of the matter with the OSC, which has saved resources for both the OSC and the Capital Markets Tribunal.

PART VI – TERMS OF SETTLEMENT

27. Hilson agrees to the terms of settlement set forth below.

28. Hilson consents to the Order substantially in the form attached as Schedule "A", pursuant to which it is ordered that:

    (a) this Settlement Agreement is approved;

    (b) Hilson shall make a voluntary payment in the amount of $50,000 to the Commission by wire transfer before the commencement of the Settlement Hearing;

    (c) Hilson shall pay costs of the Commission's investigation in the amount of $20,000 by wire transfer before the commencement of the Settlement Hearing, pursuant to section 127.1 of the Act; and

    (d) pursuant to subsection 127(1) of the Act, Hilson shall be prohibited from acting as a director or officer of any reporting issuer for a period of one year from the date of the Order.

29. Hilson agrees to attend the Settlement Hearing before the Tribunal by videoconference.

30. Hilson acknowledges that this Settlement Agreement and the Order may form the basis for orders of parallel effect in other jurisdictions in Canada. The securities laws of some other Canadian jurisdictions allow orders made in this matter to take effect in those other jurisdictions automatically, without further notice to the Respondent. The Respondent should contact the securities regulator of any other jurisdiction in which the Respondent intends to engage in any securities- or derivatives-related activities, prior to undertaking such activities.

PART VII – FURTHER PROCEEDINGS

31. If the Tribunal approves this Settlement Agreement, no enforcement proceeding will be commenced or continued against the Respondent under Ontario securities law based on the misconduct described in Part III of this Settlement Agreement, unless the Respondent fails to comply with any term in this Settlement Agreement.

32. If the Respondent fails to comply with any term in this Settlement Agreement, enforcement proceedings under Ontario securities law may be brought against the Respondent.

33. The Respondent waives any defences to a proceeding referenced in paragraphs 31 or 32 that are based on the limitation period in the Act, provided that no such proceeding shall be commenced later than six years from the date of the occurrence of the last failure to comply with this Settlement Agreement.

PART VIII – PROCEDURE FOR APPROVAL OF SETTLEMENT

34. The parties will seek approval of this Settlement Agreement at the Settlement Hearing before the Tribunal, which shall be held on a date determined by the Tribunal in accordance with this Agreement and the Tribunal's *Rules of Procedure and Forms*.

35. The Respondent will attend the Settlement Hearing in person or, if the Settlement Hearing is held by video conference, by video conference.

36. The parties confirm that this Settlement Agreement sets forth all of the agreed facts that will be submitted at the Settlement Hearing, unless the parties agree that additional facts should be submitted at the Settlement Hearing.

37. If the Tribunal approves this Settlement Agreement:

    (a) the Respondent irrevocably waives all rights to a full hearing, judicial review, or appeal of this matter under the Act; and

    (b) neither party will make any public statement that is inconsistent with this Settlement Agreement or with any additional agreed facts submitted at the Settlement Hearing.

38. Whether or not the Tribunal approves this Settlement Agreement, the Respondent will not use, in any proceeding, this Settlement Agreement or the negotiation or process of approval of this Settlement Agreement as the basis for any attack on the Tribunal's jurisdiction, alleged bias, alleged unfairness or any other remedies or challenges that may be available.

PART IX – DISCLOSURE OF SETTLEMENT AGREEMENT

39. If the Tribunal does not make the Order:

    (a) this Settlement Agreement and all discussions and negotiations between the parties before the Settlement Hearing will be without prejudice to either party; and

    (b) the parties will each be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing on the merits of the allegations contained in the Statement of Allegations in respect of the Proceeding. Any such proceedings, remedies and challenges will not be affected by this Settlement Agreement, or by any discussions or negotiations relating to this Settlement Agreement.

40. The parties will keep the terms of this Settlement Agreement confidential until the Tribunal approves the Settlement Agreement, except as is necessary to make submissions at the Settlement Hearing. If, for whatever reason, the Tribunal does not approve the Settlement Agreement, the terms of the Settlement Agreement shall remain confidential indefinitely, unless the parties otherwise agree in writing or if required by law.

PART X – EXECUTION OF SETTLEMENT AGREEMENT

41. This Settlement Agreement may be signed in one or more counterparts which together constitute a binding agreement.

42. A facsimile copy or other electronic copy of any signature will be as effective as an original signature.

DATED at **Toronto**, **Ontario** this 20th day of October, 2022.

"Kate McGrann"

"William Hilson"
Witness:

DATED at Toronto, Ontario, this 20th day of October, 2022.

ONTARIO SECURITIES COMMISSION

"Jeff Kehoe"
Director, Enforcement Branch

SCHEDULE "A"

IN THE MATTER OF
WILLIAM HILSON

File No.

(Names of panelists comprising the panel)

(Day and date order made)

ORDER
(Sections 127 and 127.1 of the *Securities Act,* RSO 1990, c. S.5)

WHEREAS on [**date**] the Capital Market Tribunal held a hearing by videoconference to consider the request for approval of settlement agreement dated **[date**] (the **Settlement Agreement**);

ON READING the Joint Application for Settlement Hearing, including the Statement of Allegations dated [**date**] and the Settlement Agreement, the written submissions, and on hearing the submissions of representatives of each of the parties, and on considering William Hilson having made payment of each of $50,000 and $20,000 to the Commission in accordance with the terms of the Settlement Agreement,

IT IS ORDERED that:

1. the Settlement Agreement is approved;

2. Hilson shall make a voluntary payment in the amount of $50,000 to the Commission by wire transfer before the commencement of the Settlement Hearing;

3. Hilson shall pay costs of the Commission's investigation in the amount of $20,000 by wire transfer before the commencement of the Settlement Hearing, pursuant to section 127.1 of the Act; and

4. pursuant to subsection 127(1) of the Act, Hilson shall be prohibited from acting as a director or officer of any reporting issuer for a period of one year from the date of the Order.

_____

[Adjudicator]

_____ _____

[Adjudicator] [Adjudicator]

A.4
Reasons and Decisions

A.4.1 Cronos Group Inc. and William Hilson – ss. 127(1), 127.1

Citation: *Cronos Group Inc (Re)*, 2022 ONCMT 31
Date: 2022-10-24
File No. 2022-23

IN THE MATTER OF
CRONOS GROUP INC. AND
WILLIAM HILSON

ORAL REASONS FOR APPROVAL OF SETTLEMENTS
(Subsection 127(1) and section 127.1 of the *Securities Act*, RSO 1990, c S.5)

Adjudicators:	Timothy Moseley (chair of the panel) William J. Furlong	
Hearing:	By videoconference, October 24, 2022	
Appearances:	Rikin Morzaria	For Staff of the Ontario Securities Commission
	Andrea Laing Tim Andison	For Cronos Group Inc.
	Melissa MacKewn Kate McGrann	For William Hilson

ORAL REASONS FOR APPROVAL OF SETTLEMENTS

The following reasons have been prepared for publication, based on the reasons delivered orally at the hearing, as edited and approved by the panel, to provide a public record of the oral reasons.

[1] Staff of the Ontario Securities Commission has made allegations against Cronos Group Inc., a TSX- and NASDAQ-listed company with a market capitalization of approximately $1.2 billion as of the end of August, 2022. Cronos is a licensed cannabis producer in Canada with international production and distribution.

[2] Staff alleges that over a period of several years Cronos improperly recognized $7.6 million of revenue from three separate transactions, and that Cronos overstated its U.S. goodwill and U.S. intangible assets by approximately US$235 million.

[3] Staff has also alleged that William Hilson, Cronos's Chief Commercial Officer at the relevant time, failed to take appropriate steps to address the handling of revenue recognition issues by Cronos for one of the subject transactions, in which Hilson played a significant role. Hilson had previously been Cronos's Chief Financial Officer, although he was no longer in that role when he was involved in the transaction.

[4] Staff, Cronos and Hilson seek approval of two settlement agreements they have entered into, one between Staff and Cronos, and the other between Staff and Hilson. We conclude that it would be in the public interest to approve both settlements, for the following reasons.

[5] We begin with the factual background, which is set out in detail in the settlement agreements. We summarize the most important facts here.

[6] The first revenue recognition error occurred in the first quarter of 2019. It was an improper recognition of revenue of approximately $2.5 million relating to a combination of two wholesale transactions that were entered into in contemplation of one another and that lacked commercial substance.

[7] The second error occurred in the third quarter of 2019. It was a similar problem involving the same third party. This time the error flowed from three wholesale transactions that were entered into in contemplation of one another, resulting in an improper recognition of revenue of approximately $2.1 million.

[8] Hilson was not involved in the first two revenue recognition errors. However, in the third, which also took place in the third quarter of 2019, Hilson played a significant role. This third error flowed from a wholesale transaction that resulted in an improper recognition of $3 million in revenue.

[9] Cronos later determined that its previously issued unaudited interim financial statements for the first, second and third quarters of 2019 had not been prepared in accordance with generally accepted accounting principles, or **GAAP**. In March 2020, Cronos announced that those financial statements would be restated and reissued and that they should no longer be relied upon. Later that month, Cronos filed the restated interim financial statements and reported material weaknesses in its internal controls over financial reporting, including about segregation of duties and treatment of non-routine transactions.

[10] Less than two years later, a different kind of accounting problem arose. Cronos determined that in its unaudited interim financial statements in early 2021, it had failed to recognize impairment charges for goodwill and intangible assets relating to its U.S. reporting unit, thereby overstating virtually all of its U.S. goodwill and a significant portion of its U.S. intangible assets by an aggregate amount of US$234.9 million. Cronos announced that it would be required to restate its previously issued financial statements, which should no longer be relied upon.

[11] In February 2022, Cronos issued restated interim financial statements for the first and second quarters of 2021, and it reported related material weaknesses in its internal controls over financial reporting, including about Cronos's not having accounting personnel who were appropriately experienced with U.S. GAAP.

[12] Cronos has admitted that by making these errors, it failed to file interim financial statements prepared in accordance with GAAP, contrary to section 77 of the *Securities Act*.[1]

[13] Hilson has admitted that with respect to the third revenue recognition error, he understood that Cronos had to properly account for the transaction in its interim financial statements. While Hilson was not required to certify or approve the quarterly financial statements, he did sign a certification that the interim financial statements were accurate as they related to his area of responsibility.

[14] Hilson acknowledges that he failed to take appropriate steps, including not ensuring that an analysis of revenue recognition in respect of the third transaction had been prepared and considered by Cronos prior to its completion of the interim financial statements, and that his conduct was contrary to the public interest.

[15] There are mitigating factors in the case of both Cronos and Hilson.

[16] Cronos had mechanisms in place for employees to submit internal tips and complaints. Cronos acted promptly to evaluate employee complaints, including by conducting an internal investigation supervised by its Audit Committee. This led to the discovery of the accounting errors. Cronos also promptly reported information to the Commission, and cooperated with Commission staff throughout the investigation. Finally, Cronos took remedial steps with respect to the weaknesses in internal controls.

[17] In addition, both Cronos and Hilson have reached a timely resolution of these allegations. By doing so, they have accepted responsibility, and they have saved significant resources on the part of Staff and this Tribunal.

[18] That brings us to the sanctions and other measures that the parties have agreed to.

[19] Staff and Cronos have agreed that Cronos will pay an administrative penalty of $1.3 million and costs of $40,000. Cronos paid those amounts prior to today's hearing. Also, as outlined in Schedule "A" of the settlement agreement, Cronos will submit to a review by an independent consultant, acceptable to the Commission and paid for by Cronos, of practices and procedures including Cronos's compliance with requirements relating to internal controls over financial reporting.

[20] Staff and Hilson have agreed that Hilson will make a voluntary payment of $50,000 to the Commission and pay costs of $20,000. Those amounts were also paid prior to today's hearing. In addition, Hilson will be prohibited from acting as a director or officer of any reporting issuer for one year.

[21] We have reviewed the settlement agreements in detail, and we had the benefit of separate confidential settlement conferences with counsel for each of the two parties.

[22] Our role at this settlement hearing is to determine whether the negotiated results fall within a range of reasonable outcomes, and whether it would be in the public interest to approve the settlements. This Tribunal respects the negotiation process and accords significant deference to the resolutions reached by the parties.

[23] The sanctions agreed to by Staff and Cronos underscore the importance of complete and accurate disclosure, and of effective financial controls. When a public company issues inaccurate financial statements, and has inadequate controls,

[1] RSO 1990, c S.5

investors are making decisions based on deficient information, and the company thereby undermines confidence in Ontario's capital markets. Cronos's misconduct here is serious and warrants a serious response. Cronos's responsible conduct in identifying and addressing the errors and control weaknesses is a significant mitigating factor.

[24] As for Hilson, given his senior role, his professional accounting designation, and his capital markets knowledge and experience, his failure to take appropriate steps to address the handling of revenue recognition was also serious.

[25] The agreed-upon sanctions against both Cronos and Hilson will achieve both specific and general deterrence, and they properly reflect the serious nature of the misconduct. The independent review of Cronos's controls will help to restore investor confidence in Cronos and in the capital markets generally.

[26] It is in the public interest for us to approve the settlements, and we will therefore issue orders substantially in the form of the drafts attached to the settlement agreements.

Dated at Toronto this 24th day of October, 2022

"Timothy Moseley"

"William J. Furlong"

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B. Ontario Securities Commission

B.1
Notices

B.1.1 Notice of General Order – Ontario Instrument 45-507 Self-Certified Investor Prospectus Exemption (Interim Class Order)

NOTICE OF GENERAL ORDER

ONTARIO INSTRUMENT 45-507
SELF-CERTIFIED INVESTOR PROSPECTUS EXEMPTION
(INTERIM CLASS ORDER)

October 25, 2022

The Ontario Securities Commission (the **Commission**) has made an order under subsection 143.11(2) of the *Securities Act* (Ontario) (the **Act**) providing relief (the **Prospectus Exemption**) from the requirement to file a prospectus in respect of the distribution in Ontario of securities to Self-Certified Investors (as described below), subject to conditions.

Description of Order

Ontario Instrument 45-507 *Self-Certified Investor Prospectus Exemption (Interim Class Order)* (the **Class Order**) provides that a non-investment fund issuer with a head office in Ontario may rely on the Prospectus Exemption in respect of the distribution of securities to a Self-Certified Investor, or a Self-Certified Investor's permitted designate, provided that certain conditions are met. The aggregate acquisition cost of all securities acquired by a Self-Certified Investor, and any permitted designates, under the Class Order in the calendar year may not exceed $30,000.

A Self-Certified Investor is an individual who confirms that they:

(a) hold a Chartered Financial Analyst Charter from the CFA Institute;

(b) hold a Chartered Investment Manager designation from the Canadian Securities Institute (**CSI**);

(c) hold a Chartered Business Valuator designation from the CBV Institute;

(d) hold a Chartered Professional Accountant designation from CPA Canada;

(e) hold a Certified International Wealth Manager Designation from the CSI;

(f) were admitted to practice law in a jurisdiction of Canada and at least 1/3 of their practice has involved providing advice respecting financings involving public or private distributions of securities or mergers and acquisitions;

(g) hold a Master of Business Administration degree with a focus on finance, from a Canadian university or an accredited foreign university;

(h) hold an undergraduate degree in finance or an undergraduate degree in commerce or business with a major or specialization in finance or investment, from a Canadian university or an accredited foreign university;

(i) have passed the Canadian Securities Course administered by the CSI;

(j) have passed the Exempt Market Products Exam administered by the IFSE Institute;

(k) have passed the Canadian Investment Funds Course Exam administered by the IFSE Institute;

(l) have passed the Investment Funds in Canada Course Exam administered by the CSI;

(m) have passed both the Series 7 Exam administered by the Financial Industry Regulatory Authority in the United States of America, and the New Entrants Course Exam administered by the CSI;

(n) hold the Certified Financial Planner designation from FP Canada;

(o) hold a Financial Planner or Financial Advisor credential, in good standing, from a credentialling body approved by the Financial Services Regulatory Authority of Ontario under the *Financial Professionals Title Protection Act, 2019*; or

(p) have management, policy-making, engineering, product or other relevant operational experience at a business that operates in the same industry or sector as the issuer and who, as a result of this experience, are able to adequately assess and understand the risk of investment in the issuer.

Issuers relying on the Prospectus Exemption will be required to file a completed Form 45-106F1 *Report of Exempt Distribution*, together with a completed Confirmation of Qualifying Criteria contained in Annex 1 of the Class Order, within 10 days of the distribution.

Reasons for the Order

In its final report (the **Taskforce Final Report**) dated January 22, 2021, the Capital Markets Modernization Taskforce (the **Taskforce**) acknowledged the importance of capital formation for businesses and recommended that the Commission expand the accredited investor definition to those individuals who have completed and passed relevant proficiency requirements indicating a high degree of understanding of investments and markets.[1]

On April 27, 2021, the Ontario government amended the Commission's legislative mandate to include fostering competitive capital markets and capital formation. This expanded mandate provides additional areas of focus for the Commission's operational and policy development activities, as well as its approach to regulatory decisions.

The Commission recognizes that certain individuals possess the necessary business knowledge, through their education or experience, to make an informed investment decision, but may not meet the financial thresholds or other criteria required to qualify as an accredited investor, as defined in the Act and National Instrument 45-106 *Prospectus Exemptions* (**NI 45-106**).

Having considered the Taskforce's recommendation and its amended mandate, the Commission intends to explore a regulatory response to expand the accredited investor prospectus exemption. In the interim, the Commission considers that it would be appropriate to create a time-limited prospectus exemption that allows purchasers in Ontario, who may not meet the financial thresholds or other criteria required to qualify as an accredited investor, to invest in issuers provided that they meet other criteria intended to demonstrate financial knowledge, investment knowledge or relevant industry-specific experience and acknowledge that they understand certain investment considerations and risks, and provided they are subject to investment limits.

The Class Order is intended to provide access to new sources of capital for issuers in Ontario and increased investment opportunities for investors in Ontario who can adequately assess and understand the risk of investment but who may not meet any of the accredited investor criteria or who are subject to investment limits under other prospectus exemptions.

Issuers are required to report the use of the Prospectus Exemption by filing reports of exempt distribution. The data in these reports can be used by the Commission to determine whether to pursue future amendments to expand the definition of "accredited investor" in NI 45-106 and, if pursued, the scope of these amendments.

The Commission is satisfied that it would not be prejudicial to the public interest to provide, on an interim basis, an exemption from the prospectus requirement subject to the conditions of the Class Order.

Day on Which the Order Ceases to Have Effect

The Class Order comes into effect on October 25, 2022, and remains in effect until the earlier of the following:

(a) April 25, 2024, unless extended by the Commission; and

(b) the effective date of an amendment to NI 45-106 that addresses substantially the same subject matter as the Class Order.

Questions

If you have any questions regarding the Class Order, please contact any of the following:

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[1] See Recommendation No. 23 in the Taskforce Final Report, available at https://www.ontario.ca/document/capital-markets-modernization-taskforce-final-report-january-2021.

B.1.2 CSA Multilateral Staff Notice 58-314 – Review of Disclosure Regarding Women on Boards and in Executive Officer Positions

CSA Multilateral Staff Notice 58-314 – *Review of Disclosure Regarding Women on Boards and in Executive Officer Positions* is reproduced on the following internally numbered pages. Bulletin pagination resumes at the end of the Staff Notice.

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CSA/ACVM Canadian Securities Administrators | Autorités canadiennes en valeurs mobilières

CSA Multilateral Staff Notice 58-314
Review of Disclosure Regarding Women on Boards and in Executive Officer Positions

Year 8 Report

October 27, 2022

Highlights of review findings at a glance

Board seats

24%
of board seats were held by women

7%
of the chairs of the board were women

45%
of vacated board seats were filled by women

Executive officer positions

5%
of issuers had a woman chief executive officer (CEO)

19%
of issuers had a woman chief financial officer (CFO)

70%
of issuers had at least one woman in an executive officer position

Policies and targets

61%
of issuers adopted a policy relating to the representation of women on their board

39%
of issuers adopted targets for the representation of women on their board

4%
of issuers adopted targets for the representation of women in executive officer positions

Term limits

21%
of issuers adopted director term limits

35%
of issuers adopted other mechanisms of board renewal (but not director term limits)

40%
of issuers did not adopt director term limits or other mechanisms of board renewal

Disclosure review

Purpose of report

This report outlines key findings from a recent review of public disclosure regarding women on boards and in executive officer positions as required by Form 58-101F1 *Corporate Governance Disclosure* of National Instrument 58-101 *Disclosure of Corporate Governance Practices* (NI 58-101). This is the eighth consecutive annual review of this disclosure that we have conducted.[1] The review was completed primarily for the purposes of identifying key trends. A qualitative assessment of compliance with the disclosure requirements was not conducted.

Disclosure requirements

Subject to certain exceptions[2], issuers listed on the Toronto Stock Exchange (TSX) and other non-venture issuers are required to provide disclosure on an annual basis in the following five areas:

Number and percentage of women on boards and in executive officer roles

Targets for the number or percentage of women on its board and in executive officer positions

Director term limits and other mechanisms of **board renewal**

Written policies relating to identification and nomination of women directors

Consideration of the representation of women when identifying and nominating directors and making executive officer appointments

The objective of the disclosure requirements is to increase transparency for investors and other stakeholders regarding the representation of women on boards and in executive officer positions, and the approach that issuers take in respect of such representation.

[1] The trends from our first seven annual reviews are set out in CSA Multilateral Staff Notices 58-307 (year 1), 58-308 (year 2), 58-309 (year 3), 58-310 (year 4), 58-311 (year 5), 58-312 (year 6) and 58-313 (year 7).

[2] Certain TSX listed issuers, such as exchange traded funds, closed-end funds, designated foreign issuers and SEC foreign issuers are not subject to the disclosure requirements.

Review sample

As of May 31, 2022, approximately 1,779 issuers were listed on the TSX, of which approximately 792 were subject to the disclosure requirements. The data summarized in this report is based on a review sample of 625 issuers that had year-ends between December 31, 2021 and March 31, 2022 (Year 8) and filed information circulars or annual information forms by July 31, 2022. A breakdown of the issuers in the review sample by market capitalization and industry is set out in Annex A.

Year-over-year comparison of key trends

The following is a snapshot of the year-over-year comparison of the key trends identified in our reviews[3]:

Trends[4]	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Board representation								
Total board seats occupied by women	11%	12%	14%	15%	17%	20%	22%	24%
Chairs of the board who are women	--	--	--	--	5%	6%	6%	7%
Board vacancies filled by women	--	--	26%	29%	33%	30%	35%	45%
Issuers with at least one woman on their board	49%	55%	61%	66%	73%	79%	82%	87%
Issuers with three or more women on their board	8%	10%	11%	13%	15%	20%	24%	30%
Board seats occupied by women for issuers with < $1 billion market capitalization	8%	9%	10%	11%	13%	15%	16%	18%
Board seats occupied by women for issuers with $1-2 billion market capitalization	11%	13%	17%	19%	20%	24%	24%	27%
Board seats occupied by women for issuers with $2-10 billion market capitalization	17%	18%	18%	21%	23%	26%	28%	31%
Board seats occupied by women for issuers with over $10 billion market capitalization	21%	23%	24%	25%	27%	31%	30%	33%

[3] Due to the scope of our sample, our findings, and the comparisons between the current year and the prior six years provide only a partial picture. The issuers in the current year and the prior year samples vary for several reasons including:

- issuers being delisted from the TSX,
- issuers' listings of securities being moved to the TSX-V,
- corporate reorganizations resulting in issuers no longer being listed on the TSX,
- issuers filing information circulars after July 31, 2022 (Year 8),
- issuers completing initial public offerings and becoming listed on the TSX, and
- issuers ceasing to be reporting issuers.

[4] Where a percentage is not identified in this table for a particular trend in a specific year, it is generally because that trend was not included in our reporting during that year's review process.

Trends[5]	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Executive officers								
Issuers with at least one woman in an executive officer position[6]	60%	59%	62%	66%	64%	65%	67%	70%
Issuers with a woman CEO	--	--	--	4%	4%	5%	5%	5%
Issuers with a woman CFO	--	--	--	14%	15%	15%	17%	19%
Policies								
Issuers that adopted a policy relating to the representation of women on their board	15%	21%	35%	42%	50%	54%	60%	61%
Targets								
Issuers that adopted targets for the representation of women on their board	7%	9%	11%	16%	22%	26%	32%	39%
Issuers that adopted targets for the representation of women in executive officer positions[5]	2%	2%	3%	4%	3%	4%	6%	4%
Term limits								
Issuers that adopted director term limits	19%	20%	21%	21%	21%	23%	23%	21%

[5] Where a percentage is not identified in this table for a particular trend in a specific year, it is generally because that trend was not included in our reporting during that year's review process.

[6] The decrease in year 5 is driven in part by a change in methodology used to capture executive officer data. Issuers may have included in their disclosure, positions and/or targets for a group other than executive officers, as that term is defined in NI 58-101. In year 5, we focused more closely on disclosure regarding "executive officers" as defined.

Board seat findings

The percentage of board seats held by women increased from 11% in year 1 to 24% in year 8.

Board seats held by women

24%

This year, 580 board seats were vacated during the year and 436 of those seats were filled. Of those filled seats, approximately 45% (196 seats) were filled by women which represents a 10% increase over year 7.

Board vacancies filled by women

45%

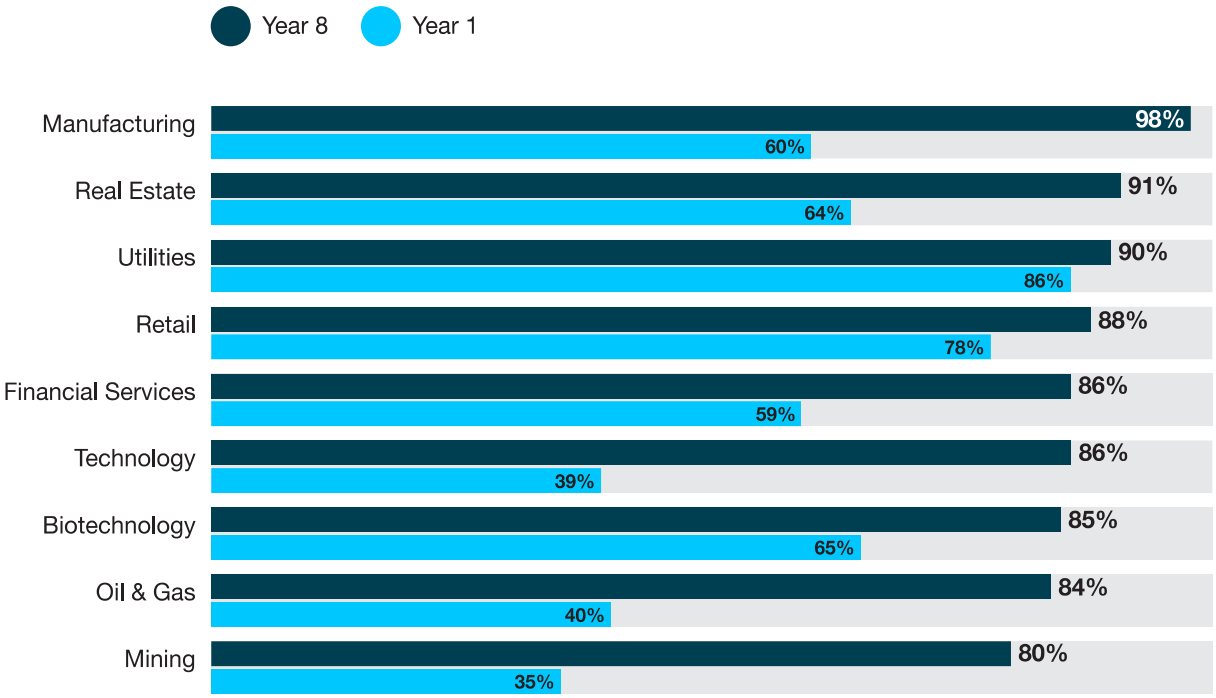
Other notable findings

Variation among industries

The number of women on boards varied by industry. The manufacturing, real estate and utilities industries had the highest percentage of issuers with one or more women on their boards. [7] The mining, oil & gas and biotechnology industries had the lowest percentage of issuers with one or more women on their boards.

Refer to Annex B for a year-over-year comparison of the percentage of issuers with one or more women on their boards by industry.

Percentage of issuers with one or more women on boards

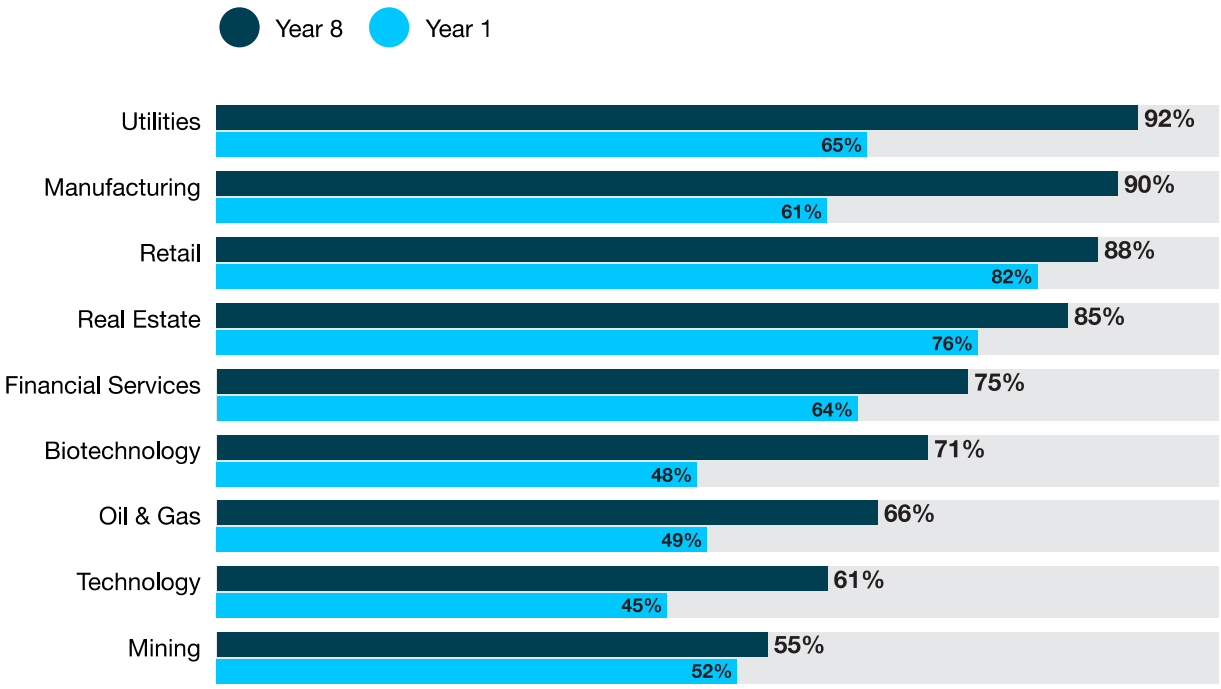


[7] The larger Canadian banks, which are part of an industry that has generally been an early adopter of diversity initiatives, are not captured in the data sample for this review.

The number of women in executive officer positions also varied by industry. The utilities, manufacturing and retail industries had the highest percentage of issuers with one or more women in executive officer positions. The mining, technology and oil & gas industries had the lowest percentage of issuers with one or more women in executive officer positions.

Refer to Annex C for a year-over-year comparison of the percentage of issuers with one or more women in executive officer positions by industry.

Percentage of issuers with one or more women in executive officer positions

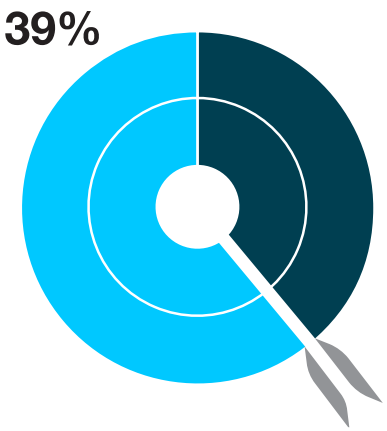


Diversity measures and board seats held by women

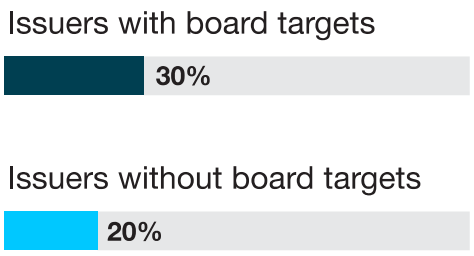
There was a correlation between issuers adopting certain diversity measures and the proportion of board seats held by women.

Issuers who set **targets** for the representation of women on their boards had a greater proportion of board seats held by women. Issuers that adopted board targets had an average of 30% of their board seats held by women, compared to 20% for issuers without targets.

Percentage of issuers with targets

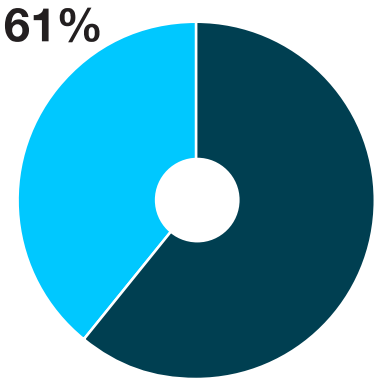


Board seats held by women

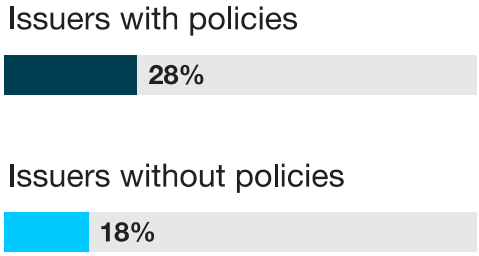


Issuers that adopted a **written policy relating to the representation of women on their board** also tended to have a greater proportion of board seats held by women. Issuers that adopted a policy relating to the representation of women on their boards had an average of 28% of women on their boards, compared to 18% for issuers with no such policy.

Percentage of issuers with policies

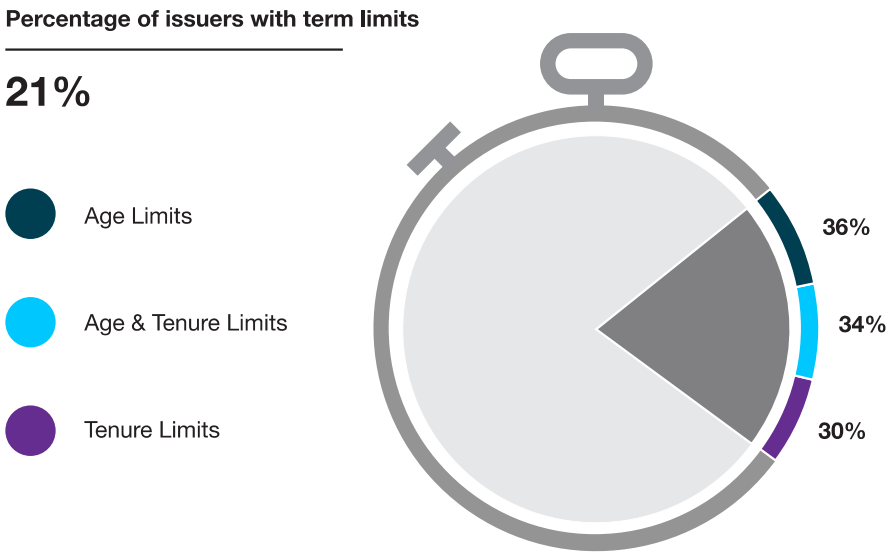


Board seats held by women



Term limits

Of the 21% of issuers we reviewed that had adopted director term limits, 36% adopted age limits alone, 30% adopted tenure limits alone, and 34% adopted both age and tenure limits.



Issuers that adopted term limits had an average of 31% of women on their boards, compared to 22% for issuers with no term limits.

Guidance Related to Disclosure Practices

During our review, we noted that issuers generally provide disclosure addressing the disclosure requirements in different ways. As a result of this, the format and content of disclosure may vary from issuer to issuer. It may also be difficult to locate the relevant disclosure within an information circular and it may be difficult to interpret some of the disclosure. In order to address this, issuers should consider presenting data related to the disclosure requirements in a common tabular format. This would improve consistency and comparability and help investors identify and evaluate the relevant disclosure in an efficient manner. Refer to CSA Multilateral Staff Notice 58-313 *Review of Disclosure Regarding Women on Boards and in Executive Officer Positions (Year 7 Report)* for specific guidance on the format of tabular reporting.

Questions

If you have any questions regarding this report, please contact:

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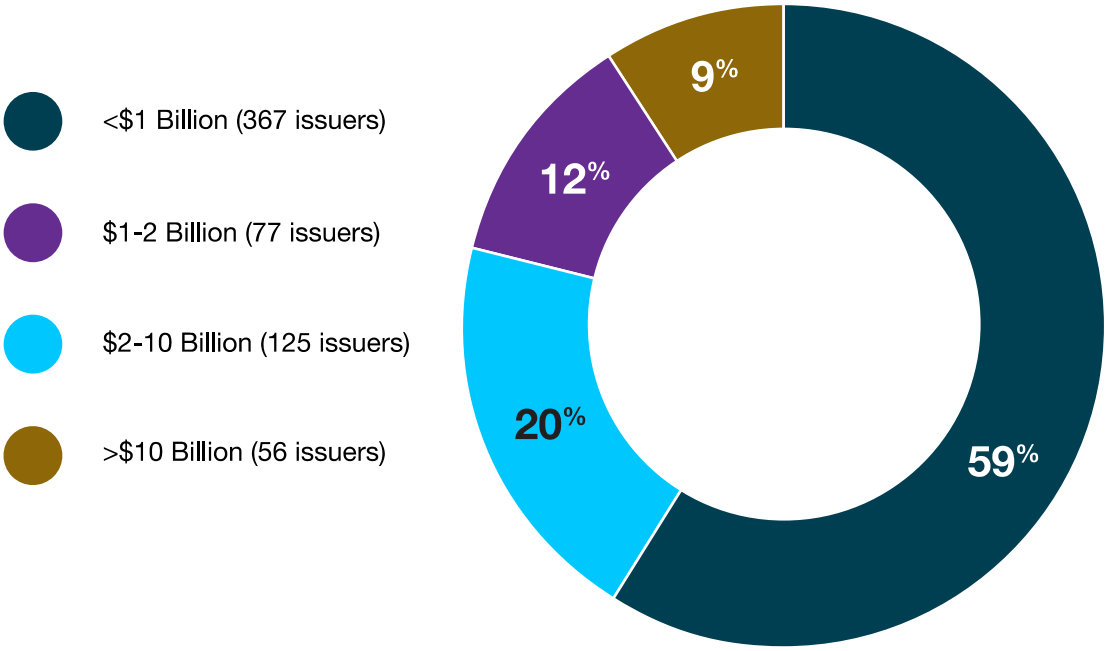
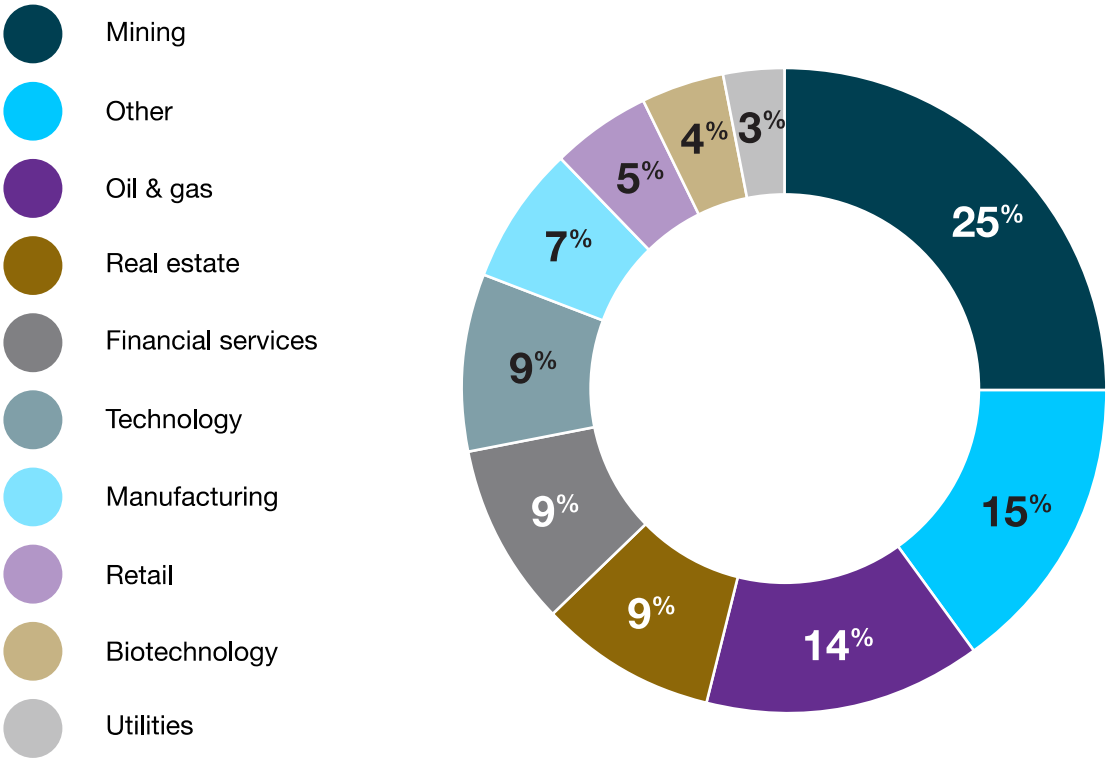
Annex A

Market capitalization in sample (issuer breakdown)



Industries in sample



Annex B

The following is a year-over-year comparison of the percentage of issuers with at least one woman on their board by industry:

Industry	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Biotechnology	65%	57%	56%	56%	67%	59%	64%	85%
Financial Services	59%	67%	60%	61%	73%	77%	85%	86%
Manufacturing	60%	68%	84%	89%	93%	93%	95%	98%
Mining	35%	38%	54%	59%	62%	72%	78%	80%
Oil & Gas	40%	40%	45%	56%	70%	73%	81%	84%
Real Estate	64%	66%	59%	73%	80%	90%	89%	91%
Retail	78%	79%	89%	84%	86%	91%	94%	88%
Technology	39%	52%	52%	68%	73%	84%	74%	86%
Utilities	86%	82%	86%	81%	85%	87%	90%	90%

Annex C

The following is a year-over-year comparison of the percentage of issuers with at least one woman in an executive officer position by industry:

Industry	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Biotechnology	48%	66%	71%	64%	61%	73%	82%	71%
Financial Services	64%	63%	66%	71%	76%	71%	74%	75%
Manufacturing	61%	81%	79%	80%	70%	74%	76%	90%
Mining	52%	49%	52%	56%	52%	52%	57%	55%
Oil & Gas	49%	46%	48%	53%	54%	58%	58%	66%
Real Estate	76%	76%	80%	80%	83%	79%	79%	85%
Retail	82%	71%	68%	76%	80%	78%	88%	88%
Technology	45%	44%	59%	52%	55%	68%	55%	61%
Utilities	65%	73%	67%	75%	70%	75%	79%	92%

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B.2
Orders

B.2.1 Ontario Instrument 45-507 Self-Certified Investor Prospectus Exemption (Interim Class Order)

Ontario Securities Commission

Ontario Instrument 45-507
Self-Certified Investor Prospectus Exemption
(Interim Class Order)

The Ontario Securities Commission, considering that to do so would not be prejudicial to the public interest, orders that effective October 25, 2022, Ontario Instrument 45-507 entitled "Self-Certified Investor Prospectus Exemption (Interim Class Order)" is made.

October 25, 2022

"Grant Vingoe"
Chief Executive Officer
Ontario Securities Commission

Authority under which the order is made:

Act and section: *Securities Act*, subsection 143.11(2)

Ontario Securities Commission

Ontario Instrument 45-507
Self-Certified Investor Prospectus Exemption
(Interim Class Order)

Interpretation

1. In this Order:

"**Acknowledgement of Risks**" means a document in the form specified in Annex 2 *Acknowledgement of Risks*;

"**Accredited Investor**" has the meaning given in subsection 73.3(1) of the Act and National Instrument 45-106 *Prospectus Exemptions*;

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

"**Confirmation of Qualifying Criteria**" means a document in the form specified in Annex 1 *Confirmation of Qualifying Criteria*;

"**investment fund**" has the meaning given in National Instrument 81-106 *Investment Fund Continuous Disclosure*;

"**holding entity**" has the meaning given in National Instrument 45-106 *Prospectus Exemptions*;

"**permitted designate**" means, with respect to an individual,

(a) a trustee, custodian or administrator acting on behalf of, or for the benefit of, the individual,

(b) a holding entity of the individual,

(c) a RRSP, RRIF, or TFSA of the individual,

(d) a spouse of the individual,

(e) a trustee, custodian, or administrator acting on behalf of, or for the benefit of, the spouse of the individual,

(f) a holding entity of the spouse of the individual, or

(g) a RRSP, RRIF, or TFSA of the spouse of the individual;

"**Qualifying Criteria**" means the criteria specified in the Confirmation of Qualifying Criteria;

"**Self-Certified Investor**" means an individual that has completed the Confirmation of Qualifying Criteria and the Acknowledgement of Risks, as contemplated in paragraph 12(e) of this Order.

2. Terms defined in the Act have the same meaning if used in this Order, unless otherwise defined.

Background

3. The Capital Markets Modernization Taskforce (the **Taskforce**) was established by the Government of Ontario in February 2020. On January 22, 2021, the Taskforce published its final report (the **Taskforce Final Report**), which acknowledged the importance of capital formation for businesses and included a recommendation that the Commission expand the Accredited Investor definition to those individuals who have completed and passed relevant proficiency requirements indicating a high degree of understanding of investments and markets.[1]

4. On March 31, 2021, the securities regulatory authorities in Alberta and Saskatchewan adopted a prospectus exemption entitled *Self-Certified Investor Prospectus Exemption* that allows issuers in those jurisdictions to distribute securities to "self-certified investors" that meet certain criteria intended to demonstrate financial and investment knowledge.

5. The Commission also recognizes that certain individuals possess the necessary business knowledge, through their education or experience, to make an informed investment decision, but may not meet the financial thresholds or other criteria required to qualify as an Accredited Investor.

[1] See Recommendation No. 23 in the Taskforce Final Report, available at https://www.ontario.ca/document/capital-markets-modernization-taskforce-final-report-january-2021.

6. On April 27, 2021, the Ontario government amended the Commission's legislative mandate to include fostering competitive capital markets and capital formation. This expanded mandate provides additional areas of focus for the Commission's operational and policy development activities, as well as its approach to regulatory decisions.

7. In order to promote capital formation, the Commission intends to explore a regulatory response to the Taskforce recommendation to expand the Accredited Investor prospectus exemption and, in the interim, considers that it would be appropriate to create a time-limited prospectus exemption that allows purchasers in Ontario, who may not meet the financial thresholds or other criteria required to qualify as an Accredited Investor, to invest in issuers provided that they meet other criteria intended to demonstrate financial knowledge, investment knowledge or relevant industry-specific experience and acknowledge that they understand certain investment considerations and risks.

8. The Commission recognizes the importance of data-driven approaches to support analysis and regulatory decision-making. This Order will require issuers to report on the use of the prospectus exemption that will in turn provide the Commission with important insights to inform future policy-making.

Class Orders under the Securities Act

9. Under subsection 143.11(2) of the Act, if the Commission considers that it would not be prejudicial to the public interest to do so, the Commission may, on application by an interested person or company or on its own initiative, make an order exempting a class of persons or companies, trades, intended trades, securities or derivatives from any requirement of Ontario securities law on such terms or conditions as may be set out in the order, effective for a period of no longer than 18 months after the day on which it comes into force unless extended pursuant to paragraph (b) of subsection 143.11(3) of the Act.

10. The Commission is satisfied that it would not be prejudicial to the public interest to provide, on an interim basis, the exemptions set out below, subject to the conditions of this Order.

Self-Certified Investor Prospectus Exemption

11. Consequently, this Order provides for the temporary exemption listed below.

12. The prospectus requirement in subsection 53(1) of the Act does not apply to a distribution by an issuer of securities of its own issue provided that all of the following apply:

    (a) the head office of the issuer is located in Ontario;

    (b) the issuer is not an investment fund;

    (c) the purchaser is a Self-Certified Investor or a permitted designate of a Self-Certified Investor;

    (d) the purchaser represents to the issuer in the subscription agreement that, after giving effect to the distribution, the aggregate acquisition cost of the securities of all issuers acquired by the Self-Certified Investor, and any permitted designates, under this Order in the calendar year does not exceed $30,000;

    (e) at the time of execution of the subscription agreement, the Self-Certified Investor completes and provides to the issuer

        (i) a completed Confirmation of Qualifying Criteria, confirming that the Self-Certified Investor meets the Qualifying Criteria, and

        (ii) a completed Acknowledgement of Risks, confirming that the Self-Certified Investor has read and understood each of the acknowledgements in that part;

    (f) the issuer does not know and would not reasonably be expected to know that the statements made by the Self-Certified Investor in the Confirmation of Qualifying Criteria, the Acknowledgement of Risks or the representation referred to in paragraph 12(d) of this Order are false;

    (g) the issuer, on or before the 10th day after the closing of the distribution, files a completed Form 45-106F1 *Report of Exempt Distribution*, together with the completed Confirmation of Qualifying Criteria and the applicable fee.

Resale Restrictions

13. The first trade of a security acquired under this Order is subject to section 2.5 of National Instrument 45-102 *Resale of Securities.*

Effective Date and Term

14. This Order comes into effect on October 25, 2022 and will cease to be effective on the earlier of the following:

    (a) April 25, 2024, unless extended by the Commission;

    (b) the effective date of an amendment to National Instrument 45-106 *Prospectus Exemptions* that addresses substantially the same subject matter as this Order.

Annex 1 to
Ontario Instrument 45-507
Self-Certified Investor Prospectus Exemption
(Interim Class Order)

Confirmation of Qualifying Criteria

Instruction: All capitalized terms used in this Confirmation of Qualifying Criteria but not defined in it have the meaning ascribed to them in Ontario Instrument 45-507 Self-Certified Investor Prospectus Exemption (Interim Class Order).

I [*insert name of purchaser*] wish to be considered a Self-Certified Investor under Ontario Instrument 45-507 *Self-Certified Investor Prospectus Exemption (Interim Class Order)*.

I certify that I meet at least one of the Qualifying Criteria specified below.

Qualifying Criteria [please initial all that apply]:

An individual who:

_____ Holds a CFA or Chartered Financial Analyst Charter from the CFA Institute or any predecessor or successor organization.

_____ Holds the CIM or Chartered Investment Manager designation from the Canadian Securities Institute, a Division of Moody's Analytics Global Education (Canada) Inc. or any predecessor or successor organization.

_____ Holds the CBV or Chartered Business Valuator designation from the CBV Institute or any predecessor or successor organization.

_____ Holds a CPA or Chartered Professional Accountant designation from CPA Canada.

_____ Holds a CIWM or Certified International Wealth Manager Designation from the Canadian Securities Institute, a Division of Moody's Analytics Global Education (Canada) Inc. or any predecessor or successor organization.

_____ Was admitted to practice law in a jurisdiction of Canada and at least 1/3 of the individual's practice has involved providing advice in respect of financings involving private or public distributions of securities or mergers and acquisition transactions.

_____ Holds a Master of Business Administration degree, focused on finance, from a university in Canada or from an accredited university in a foreign jurisdiction.

_____ Holds an undergraduate degree in Finance or holds an undergraduate degree in Business or Commerce with a major or specialization in finance or investment, from a university in Canada or from an accredited university in a foreign jurisdiction.

_____ Has passed the Canadian Securities Course Exam administered by the Canadian Securities Institute, a Division of Moody's Analytics Global Education (Canada) Inc., or any predecessor or successor organization.

_____ Has passed the Exempt Market Products Exam administered by the IFSE Institute, Canada, or any predecessor or successor organization.

_____ Has passed the Canadian Investment Funds Course Exam administered by the IFSE Institute, Canada, or any predecessor or successor organization.

_____ Has passed the Investment Funds in Canada Course Exam administered by the Canadian Securities Institute, a Division of Moody's Analytics Global Education (Canada) Inc. or any predecessor or successor organization.

_____ Has passed both the Series 7 Exam administered by the Financial Industry Regulatory Authority in the United States of America, or any predecessor or successor organization, and the New Entrants Course Exam administered by the Canadian Securities Institute, a Division of Moody's Analytics Global Education (Canada) Inc., or any predecessor or successor organization.

_____ Holds the CFP or Certified Financial Planner designation from FP Canada or any predecessor or successor organization.

_____ Holds a Financial Planner or Financial Advisor credential, in good standing, from a credentialling body approved by the Financial Services Regulatory Authority of Ontario under the *Financial Professionals Title Protection Act, 2019* that permits the individual to use the Financial Planner or Financial Advisor title.

_____ Has management, policy-making, engineering, product or other relevant operational experience at a business that operates in the same industry or sector as the issuer and who, as a result of this experience, is able to adequately assess and understand the risk of investment in the issuer.

If criterion (p) applies to you, please provide the following information about your experience:

Industry or sector: _____

Employer: _____

Position: _____

Duration of tenure: _____

Dated: [*insert date*]

_____
Self-Certified Investor's name

_____
Signature

Annex 2 to
Ontario Instrument 45-507
Self-Certified Investor Prospectus Exemption
(Interim Class Order)

Acknowledgement of Risks

Instruction: To qualify as a Self-Certified Investor you must read the following and confirm your understanding of each of the statements relating to the risks of investing.

If you do not understand the risks of investing, including as set out below, do not complete this form. You do not qualify as a Self-Certified Investor.

1.You will not have the same rights as you would have under a prospectus

Securities legislation generally requires that an issuer trying to raise money through the sale of securities provide investors with a comprehensive disclosure document called a prospectus so that investors can make an informed decision about whether or not to buy those securities.

The accuracy of a prospectus is typically required to be certified by the CEO, CFO and two directors of the issuer and any underwriter involved in the sale. Investors who buy under a prospectus have certain special rights under securities legislation, including a two day right to cancel their investment for any reason, and a right to sue either to get their money back or for damages if there is a misrepresentation in the prospectus. A right to sue for damages is available not just against the issuer but also against the other parties that sign the prospectus. These rights are special in that an investor is not required to prove they relied on the misrepresentation in making their investment decision.

As an investor under a prospectus exemption, you will not have the special rights afforded to an investor under a prospectus.

Please indicate the answer that applies:

Have you read and understood the above information? **Yes** _____ **No** _____

2.You will need to seek out the information needed to make an informed investment decision

An issuer trying to raise money through the sale of securities under a prospectus is required to provide you with comprehensive disclosure in the prospectus, providing “full, true and plain disclosure of all material facts relating to the securities being distributed”. Some examples of required information include:

- details of the securities being offered for sale, including the rights they provide you, e.g., voting rights, rights to convert or exchange (including conversion prices or formulas and exercise periods), any limitations on redemption rights, as well as similar details on other outstanding securities;
- details on how the proceeds of the offering will be used, including any fees and commissions, information on payments to be made to related parties, and details on any funds to be used to repay outstanding indebtedness;
- the key business objectives and milestones;
- a description of material risks to the business e.g., environmental or other liabilities, significant litigation, competition, lack of management experience, regulatory approvals needed, and cash flow and other financial challenges;
- information about management and directors, e.g., education, experience, compensation, and security holdings.

As an investor under a prospectus exemption, you will not receive a prospectus. You will need to consider whether you otherwise have access to all the important information necessary to make an informed investment decision and, if not, take steps to obtain that information before investing. You should not invest if you do not have the information needed to make an informed investment decision.

Please indicate the answer that applies:

Have you read and understood the above information? **Yes** _____ **No** _____

3. You may not have the benefit of audited financial statements

An issuer selling securities under a prospectus is required to provide investors with audited annual financial statements. The audit provides certain independent assurance with respect to the financial information presented.

As an investor under a prospectus exemption, you may not be provided with audited financial statements and if any financial information is provided you may have no independent assurance with respect to it. You will need to determine whether audited financial statements are important to your investment decision and whether you will require that these be provided before investing.

Please indicate the answer that applies:

Have you read and understood the above information? **Yes _____** **No _____**

4. You will need to assess the reliability of financial projections and other forward-looking information and the reasonableness of any assumptions

Securities legislation does not generally require that issuers provide financial projections and other forward-looking information in a prospectus. However, because of the potential unreliability of this type of information, if it is provided, to establish a defence to liability an issuer would generally need to provide cautionary language that

- indicates that actual results may vary from the forward-looking information,
- states the material factors or assumptions used to develop forward-looking information, and
- identifies material risk factors that could cause actual results to differ materially from the forward-looking information.

Securities legislation imposes liability for misrepresentations but, in respect of financial outlooks and future-oriented financial information, provides a defence where the information specified above is provided and the underlying assumptions are reasonable in the circumstances e.g., made only for a period that can be reasonably estimated.

Please indicate the answer that applies:

Have you read and understood the above information? **Yes _____** **No _____**

5. You may need to conduct your own investigation (or due diligence) to understand the nature of the investment, the business and the associated risks

In a prospectus offering, the special liability that directors and management have creates an incentive for them to ensure that the prospectus contains full, true and plain disclosure. Similarly, the special liability that applies to any underwriters (the dealers that either sell the securities as agent for the company, or buy the securities from the company with a view to reselling them to the public) typically incentivizes them to conduct due diligence, i.e., investigate or review information about the issuer and its principals to try and identify material risks and confirm, “to the best of their knowledge, information and belief” the information in the prospectus.

If there is no underwriter or similar party conducting this due diligence, it will be very important for you to consider these matters yourself to determine whether or not to invest and to understand the risks. If you have little or no experience in conducting due diligence, you are strongly encouraged to seek training in conducting due diligence and/or seek assistance from qualified professionals before investing.

You will need to investigate to understand the terms of the security you buy and how they are affected by other securities that are outstanding or that may be issued

Examples of some of the factors that you should consider include:

- the number and type of securities outstanding and the prices at which they were sold as compared with the price at which the securities are being now offered and the development of the issuer's business since the prior offering(s);
- the rights associated with other outstanding securities as set out in the issuer's articles of incorporation, any shareholder agreement, escrow, voting trust or similar agreements (e.g., special voting rights, preferential rights to dividends or distributions, preferential rights to the issuer's assets in the case of a liquidation, preferential rights to disclosure, rights to convert, exchange or redeem securities, or rights to participate in future financings) and the implications of these rights to you and your investment.

Please indicate the answer that applies:

Have you read and understood the above information? **Yes** _____ **No** _____

You will need to investigate to understand the issuer's business

Examples of some of the factors that you should consider include:

- the issuer's financial position, including by reviewing and assessing any historical financial information and assessing the reasonableness of any financial projections;
- agreements material to the issuer's business (e.g., key employment agreements, key supplier agreements, major sales agreements, insurance contracts);
- the experience, qualifications and character of management and key employees and dependence on certain personnel;
- the issuer's organizational structure, its governance, and internal controls;
- the compensation, benefits and other payments to executives, employees and any related parties.

Please indicate the answer that applies:

Have you read and understood the above information? **Yes** _____ **No** _____

You will need to investigate to understand the material risks

Examples of some of the factors that you should consider include:

- the material risks related to the business (e.g., competition, lack of experience, inadequate funds);
- material assets and the rights and risks related to those assets (e.g., title to assets, status of leases, extent of intellectual property protections, existence of required governmental, regulatory or other approvals);
- indebtedness, environmental liabilities and existing or potential litigation.

Please indicate the answer that applies:

Have you read and understood the above information? **Yes** _____ **No** _____

6. You may not receive investment advice from a qualified salesperson

If you invest under a prospectus, the issuer selling its securities will have typically retained one or more registered dealers to sell the securities to you. A registered dealer is required to understand the securities that they are selling and will often have conducted certain analysis and review of the business. An individual employed by a registered dealer is typically required to have certain investment education and training and is required to collect information from you to understand your financial and other circumstances, risk profile, investment objectives and time horizon and use that information to assess whether an investment is suitable for you.

You may be investing in circumstances where there is no registered dealer involved. If that is the case, you will need to assess for yourself whether or not the investment is suitable for you having regard to factors such as:

- your financial and personal circumstances, investment objectives and time horizon;
- the tax implications of the investment in your particular financial circumstances;
- your other investments, e.g., whether your investments are sufficiently diversified and not overly concentrated in a particular company, or industry or geographical area or heavily concentrated in high risk or illiquid investments;
- the significantly increased risk associated with borrowing to invest;
- the prospect of some of your investments being a failure and how much risk you are prepared to take and how much money you can afford to lose.

A person who is recommending an investment to you who is not registered under securities legislation may not have any expertise or qualifications to provide investment advice. They may have a conflict of interest that incentivizes them to encourage you to invest. (Seek information on commissions or other payments being paid.) Even if that person is independent, experienced and

knowledgeable, their circumstances, risk tolerance and objectives may be very different than your own. An investment that is good for them may not be good for you.

You can check to see whether a person is registered under securities legislation here: http://www.aretheyregistered.ca/.

Please indicate the answer that applies:

Have you read and understood the above information? **Yes** _____ **No** _____

7. You may not receive ongoing information about your investment

If you were to invest under a prospectus, the issuer you invested in would be or would become a reporting issuer (public company) and would be obligated under securities legislation to continue to provide disclosure about its business including such as:

- audited annual financial statements and managements discussion and analysis;
- quarterly interim financial statements and management's discussion and analysis;
- news releases announcing material changes such as relating to changes in directors and executives, significant acquisitions or dispositions, significant liabilities or litigation, material contracts and loss of significant contracts;
- board composition and governance policies;
- executive compensation disclosure.

If you invest in an issuer that is not a reporting issuer, the issuer may have no obligation under securities legislation to provide you with any ongoing information. Consequently, you will need to determine what ongoing reporting you want from the issuer and negotiate by contract to obtain it. You will need to consider the possibility that the issuer fails to continue to provide you with that information and what rights you have under that contract and whether they can be effectively enforced.

Please indicate the answer that applies:

Have you read and understood the above information? **Yes** _____ **No** _____

8. You will be restricted from reselling your securities

If you invest under a prospectus, you will typically be able to immediately resell the securities you acquired in the secondary market e.g., on an exchange. Because you are investing under a prospectus exemption, your ability to resell the securities you acquired is limited.

If you acquire securities of a reporting issuer (public company) under a prospectus exemption, you are typically subject to resale restrictions for a period of four months during which you can generally only realistically resell them under a prospectus exemption.

If you acquire securities of an issuer that is not a reporting issuer (i.e., not a public company), under a prospectus exemption, you will typically be subject to resale restrictions that continue indefinitely. Unless the issuer becomes a reporting issuer, securities legislation prohibits you from reselling those securities except under another prospectus exemption or under a prospectus.

Further, even if you can comply with securities legislation, there will be no market to help identify parties that might be interested in buying the securities from you. It may not be possible to find a willing buyer. You may not be able to sell your investment quickly – or at all.

Please indicate the answer that applies:

Have you read and understood the above information? **Yes** _____ **No** _____

9. You may not be able to realize a return on your investment. You could lose all the money invested

Statistics indicate that many early-stage businesses fail. You could lose your investment. However, even if a business you invest in is successful, you will need to consider how you will realize any return from your investment. If you buy securities, such as common shares, of a non-reporting issuer you will need to identify whether there is a realistic "exit strategy" for you, an opportunity to sell your securities and potentially obtain a return and whether the timing of that potential opportunity aligns with your investment time horizon.

If the issuer is not a reporting issuer, there is no assurance that it will ever become one and even if it does, that could take many years. There is also no assurance that the issuer will be acquired by another entity. You could be forced to hold the securities indefinitely.

If you are buying debt securities or preferred shares, consider whether the issuer has a realistic prospect of being able to pay you the interest, dividends or yield that is offered and what rights you will have if they default on such payments or do not declare dividends. If you buy redeemable securities, consider whether the issuer has a realistic prospect of being able to redeem the securities. Consider the limitations on or conditions to your ability to redeem.

Please indicate the answer that applies:

Have you read and understood the above information? **Yes** _____ **No** _____

10. You may have difficulty valuing your investment

If you acquire securities, such as common shares, under a prospectus, the issuer will be a reporting issuer (public company) and the securities will typically be available for resale on a secondary market. In the case of a mutual fund, the securities will typically be redeemable on demand based on the net asset value, which is required to be calculated and disclosed on an ongoing basis. This publicly available information helps to establish a value for the business. If you acquire securities under a prospectus exemption, and the issuer is not a reporting issuer, you will likely not have this type of information. It may be difficult to establish a value for the business or the securities.

Please indicate the answer that applies:

Have you read and understood the above information? **Yes** _____ **No** _____

11. Selling securities under a prospectus exemption doesn't mean misleading statements or unfair practices are allowed. Be alert for fraud and scams

Securities legislation prohibits parties selling securities from making statements that they know or reasonably ought to know are, in any material respect, and at the time and in light of the circumstances in which they are made, misleading or untrue or do not state a fact that is required to be stated or that is necessary to make a statement made not misleading, where one would reasonably expect that statement to have a significant effect on the market price or value of a security.

Securities legislation also prohibits unfair practices in connection with the sale of securities, such as unreasonable pressure to buy, sell or hold or imposing harsh, oppressive or excessively one-sided terms.

Although you are seeking to invest under a prospectus exemption, these prohibitions against misleading statements and unfair practices still apply to the parties selling you securities. They are not exempted from these fundamental provisions.

Scammers may disappear with your money. It is important to protect your money by being alert to the signs of investment fraud and scams **before** you invest. See https://www.securities-administrators.ca.

Please indicate the answer that applies:

Have you read and understood the above information? **Yes** _____ **No** _____

12. There are limits on the value of securities that can be sold to you as a Self-Certified Investor

An issuer in which you invest is not permitted to accept a subscription from you if the aggregate acquisition cost of the securities of the issuer acquired by you as a Self-Certified Investor in the preceding 12 months exceeds $30,000. Further, the issuer is required to obtain a representation from you in the subscription agreement that the aggregate acquisition cost of the securities of all issuers acquired by you in the preceding 12 months as a Self-Certified Investor does not exceed $30,000.

Please indicate the answer that applies:

Have you read and understood the above information? **Yes** _____ **No** _____

I understand that there is a risk that I could lose the entire investment and I should not invest more than I can afford to lose.

Dated: [*insert date*]

_____

Self-Certified Investor's name

_____

Signature

B.2.2 Coinsquare Capital Markets Ltd. – s. 21.0.1

Headnote

Section 21.0.1 of the Securities Act (Ontario) – Order requiring Coinsquare Capital Markets Ltd. to follow the Process for the Review and Approval of the Information Contained in Form 21-101F2 and the Exhibits Thereto.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990 c. S.5 as am., s. 21.0.1.

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

AND

IN THE MATTER OF
COINSQUARE CAPITAL MARKETS LTD.

ORDER
(Section 21.0.1 of the Act)

WHEREAS Coinsquare Capital Markets Ltd. operates an alternative trading system (**ATS**) as defined in the Act;

AND WHEREAS Coinsquare Capital Markets Ltd. has obtained registration as a dealer in the category of Investment Dealer;

AND WHEREAS Coinsquare Capital Markets Ltd. has obtained membership with IIROC;

AND WHEREAS section 21.0.1 of the Act states that the Commission may, if it considers it in the public interest, make any decision with respect to,

(a) the manner in which an ATS carries on business in Ontario;

(b) the trading of securities or derivatives on or through the facilities of the ATS; or

(c) any by-law, rule, regulation, policy, procedure, interpretation or practice of the ATS;

AND WHEREAS the information contained in Form 21-101F2 *Information Statement – Alternative Trading System*, as amended from time to time, and the exhibits thereto, describes the manner in which an ATS operates, describes the trading of securities or derivatives on or through the facilities of the ATS, and contains the ATS's by-laws, rules, regulations, policies, procedures, interpretations and practices;

IT IS ORDERED by the Commission that, pursuant to section 21.0.1 of the Act, Coinsquare Capital Markets Ltd. will follow the *Process for the Review and Approval of the Information Contained in Form 21-101F2 and the Exhibits Thereto*, set out in Appendix A, as amended from time to time.

DATED this 19th day of October, 2022

"Michelle Alexander"
Manager, Market Regulation

APPENDIX A

PROCESS FOR THE REVIEW AND APPROVAL OF THE INFORMATION CONTAINED IN FORM 21-101F2 AND THE EXHIBITS THERETO

1. Purpose

This Protocol sets out the procedures an alternative trading system (**ATS**) must follow for any Change, as defined in section 2 below, and describes the procedures for its review by Commission Staff (**Staff**) and approval by the Commission or the Director. This Protocol also establishes requirements regarding the time at which an ATS may begin operations following registration by the Commission.

2. Definitions

For the purposes of this Protocol:

(a) *Change* means a Fee Change, a Housekeeping Change or a Significant Change.

(b) *Director* means "Director" as defined in subsection 1(1) of the *Securities Act* (Ontario).

(c) *Fee Change* means any new fee or fee model of the ATS and any amendment to a fee or fee model.

(d) *Fee Change subject to Public Comment* means a Fee Change that, in Staff's view, may have a significant impact on the ATS, its market structure, subscribers, investors or the Canadian capital markets or otherwise raises regulatory or public interest concerns and should be subject to public comment.

(e) *Housekeeping Change* means an amendment to the information in Form 21-101F2 that

(i) does not have a significant impact on the ATS, its market structure, subscribers, investors or the Canadian capital markets, or

(ii) is of a housekeeping or administrative nature and is comparable to the types of housekeeping changes listed in subsection 6.1(5)(b) of Companion Policy 21-101CP.

(f) *Significant Change* means an amendment to the information in Form 21-101F2 other than

(i) a Housekeeping Change, or

(ii) a Fee Change,

and for greater certainty includes the matters listed in subsection 6.1(4) of Companion Policy 21-101 CP.

(g) *Significant Change subject to Public Comment* means a Significant Change that

(i) is listed in paragraphs 6.1(4)(a) or (b) of Companion Policy 21-101 CP, or

(ii) in Staff's view, may have a significant impact on the ATS, its market structure, subscribers, investors or the Canadian capital markets or otherwise raises regulatory or public interest concerns and should be subject to public comment.

3. Scope

The ATS and Staff will follow the process for review and approval set out in this Protocol for all Changes.

4. Waiving or Varying the Protocol

(a) The ATS may submit a written request with Staff to waive or vary any part of this Protocol. The request must provide reasons why granting the waiver is appropriate in the circumstances.

(b) Staff will use their best efforts to provide to the ATS within five business days of receipt of its request either:

(i) written notice that Staff object to granting the waiver or variation; or

(ii) written notice that the waiver or variation has been granted by Staff.

5. Commencement of ATS Operations

The ATS must not begin operations until a reasonable period of time after the ATS is notified that it has been registered by the Commission.

6. Materials to be Submitted and Timelines

(a) Prior to the implementation of a Fee Change or Significant Change, the ATS will provide Staff with the following materials:

(i) a cover letter that, together with the notice for publication submitted under paragraph (a)(ii), if applicable, fully describes:

(A) the proposed Fee Change or Significant Change;

(B) the expected date of implementation of the proposed Fee Change or Significant Change;

(C) the rationale for the proposal and any relevant supporting analysis;

(D) the expected impact, including the quantitative impact, of the proposed Fee Change or Significant Change on the market structure, subscribers and, if applicable, on investors and the capital markets;

(E) the expected impact of the Fee Change or Significant Change on the ATS's compliance with Ontario securities law requirements and in particular requirements for fair access and maintenance of fair and orderly markets;

(F) a summary of any consultations, including consultations with external parties, undertaken in formulating the Fee Change or Significant Change, and the internal governance process followed to approve the Change;

(G) for a proposed Fee Change:

1. the expected number of marketplace participants likely to be subject to the new fee, along with a description of the costs they will incur; and

2. if the proposed Fee Change applies differently across types of marketplace participants, a description of this difference, how it impacts each class of affected marketplace participant, including, where applicable, numerical examples, and any justification for the difference in treatment;

(H) if the Significant Change will require subscribers or service vendors to modify their systems after implementation of the Change, the expected impact of the Change on the systems of subscribers and service vendors together with an estimate of the amount of time needed to perform the necessary work and how the estimated amount of time was deemed reasonable in light of the expected impact of the Significant Change on the ATS, its market structure, subscribers, investors or the Canadian capital markets;

(I) where the proposed Significant Change is not a Significant Change subject to Public Comment, the rationale for why the proposed Significant Change is not considered a Significant Change subject to Public Comment;

(J) a discussion of any alternatives considered; and

(K) if applicable, whether the proposed Fee Change or Significant Change would introduce a fee model or feature that currently exists in other markets or jurisdictions;

(ii) for a proposed Significant Change subject to Public Comment or Fee Change subject to Public Comment, a notice for publication that generally includes the information required under paragraph (a)(i), except information that, if included in the notice, would result in the public disclosure of sensitive information or confidential or proprietary financial, commercial or technical information;

(iii) for a proposed Fee Change or Significant Change, blacklined and clean copies of Form 21-101F2 showing the proposed Change.

(b) The ATS will submit the materials set out in subsection (a)

(i) at least 45 days prior to the expected implementation date of a proposed Significant Change; and

(ii) at least fifteen business days prior to the expected implementation date of a proposed Fee Change.

(c) For a Housekeeping Change, the ATS will provide Staff with the following materials:

(i) a cover letter that fully describes the Change and indicates that it was classified as a Housekeeping Change and, for each Housekeeping Change, provides an analysis of the rationale for the classification and the expected or actual date of implementation of the Change; and

(ii) blacklined and clean copies of Form 21-101F2 showing the Change.

(d) The ATS will submit the materials set out in subsection (c) by the earlier of

(i) the ATS's close of business on the 10th calendar day after the end of the calendar quarter in which the Housekeeping Change was implemented; and

(ii) the date on which the ATS publicly announces a Housekeeping Change, if applicable.

7. Review by Staff of notice and materials to be published for comment

(a) Within 5 business days of the receipt of the notice and materials submitted by the ATS relating to a Significant Change subject to Public Comment or Fee Change subject to Public Comment, in accordance with paragraph 6(a)(ii), Staff will review the notice and materials to ensure that they contain an adequate level of detail, analysis and discussion to elicit meaningful public comment, and will promptly notify the ATS of any deficiency requiring a resubmission of the notice and/or materials.

(b) Where the notice and/or materials are considered by Staff to be deficient, the ATS will amend and resubmit the notice and/or materials accordingly, and the date of resubmission will serve as the submission date for the purposes of this Protocol.

(c) Where the notice and materials are considered by Staff to be adequate for publication, Staff will proceed with the processes set out in section 8.

8. Publication of a Significant Change Subject to Public Comment or Fee Change Subject to Public Comment

(a) As soon as practicable after the receipt of the notice and materials submitted by the ATS relating to a Significant Change subject to Public Comment or Fee Change subject to Public Comment, in accordance with paragraph 6(a)(ii), Staff will publish in the OSC Bulletin and/or on the OSC website, the notice prepared by the ATS, along with a notice prepared by Staff, if necessary, that provides market participants with an opportunity to provide comments to Staff and to the ATS within 30 days from the date the notice appears in the OSC Bulletin or on the OSC website, whichever comes first.

(b) If public comments are received

(i) the ATS will forward copies of the comments promptly to Staff; and

(ii) the ATS will prepare a summary of the public comments and a response to those comments and provide them to Staff promptly after the end of the comment period.

9. Review and Approval Process for Proposed Fee Changes and Significant Changes

(a) Staff will use their best efforts to complete their review of a proposed Fee Change or Significant Change within

(i) 45 days from the date of submission of a proposed Significant Change; and

(ii) fifteen business days from the date of submission of a proposed Fee Change.

(b) Staff will notify the ATS if they anticipate that their review of the proposed Fee Change or Significant Change will exceed the timelines in subsection (a).

(c) If Staff have material comments or require additional information to complete their review of a proposed Fee Change or Significant Change, Staff will use best efforts to provide the ATS with a comment letter promptly by the end of the public comment period for a Significant Change subject to Public Comment or Fee Change subject to Public Comment, and promptly after the receipt of the materials submitted under section 6 for all other Changes.

(d) The ATS will respond to any comments received from Staff in writing.

(e) Unless Staff agree to an extension of time, if the ATS fails to respond to Staff's comments within 120 days after the receipt of Staff's comment letter, the ATS will be deemed to have withdrawn the proposed Fee Change or Significant Change. If the ATS wishes to proceed with the Fee Change or Significant Change after it has been deemed withdrawn, the ATS will have to re-submit it for review and approval in accordance with this Protocol.

(f) Upon completion of Staff's review of a Fee Change or Significant Change, Staff will submit the Change to the Director or, in the circumstances described in subsection (g), to the Commission, for a decision within the following timelines:

(i) for a Significant Change subject to Public Comment or Fee Change subject to Public Comment, the later of 45 days from the date that the related materials were published for comment and the date that Staff's comments and public comments, including any concerns identified, have been adequately addressed by the ATS;

(ii) for any other Significant Change, the later of 45 days from the date of submission of the Change and the date that Staff's comments and any concerns identified have been adequately addressed by the ATS; or

(iii) for any other Fee Change, the later of fifteen business days from the date of submission of the change and the date that Staff's comments and any concerns identified have been adequately addressed by the ATS.

(g) A Fee Change or Significant Change may be submitted to the Commission for a decision, within the timelines in subsection (f),

(i) if the proposed Fee Change or Significant Change introduces a novel feature to the ATS or the capital markets;

(ii) if the proposed Fee Change or Significant Change raises significant regulatory or public interest concerns; or

(iii) in any other situation where, in Staff's view, Commission approval is appropriate.

(h) Staff will promptly notify the ATS of the decision.

(i) If a Significant Change subject to Public Comment or Fee Change subject to Public Comment is approved, Staff will publish the following documents in the OSC Bulletin and/or on the OSC website promptly after the approval:

(i) a notice indicating that the proposed Change is approved;

(ii) the summary of public comments and responses prepared by the ATS, if applicable; and

(iii) if non-material changes were made to the version published for public comment, a brief description of these changes prepared by the ATS and a blacklined copy of the revised Change highlighting the revisions made.

10. Review Criteria for a Fee Change and Significant Change

(a) Staff will review a proposed Fee Change or Significant Change to assess whether it is in the public interest for the Director or the Commission to approve the Change. In making this determination, Staff will have regard for the purposes of the *Securities Act* (Ontario) (**Act**) as set out in section 1.1 of the Act. The factors that Staff will consider in making their determination also include whether:

(i) the Change would impact the ATS's compliance with Ontario securities law;

(ii) the ATS followed its established internal governance practices in approving the proposed Change;

(iii) the ATS followed the requirements of this Protocol and has provided sufficient analysis of the nature, purpose and effect of the Change; and

(iv) the ATS adequately addressed any comments received.

11. Effective Date of a Fee Change or Significant Change

(a) A Fee Change or Significant Change will be effective on the later of:

(i) the date that the ATS is notified that the Change is approved;

(ii) if applicable, the date of publication of the notice of approval on the OSC website;

(iii) if applicable, the implementation date established by the ATS's rules, agreements, practices, policies or procedures; and

(iv) the date designated by the ATS.

(b) The ATS must not implement a Fee Change unless the ATS has provided stakeholders, including marketplace participants, issuers and vendors, as applicable, with notice of the Fee Change at least five business days prior to implementation.

(c) Where a Significant Change involves a material change to any of the systems, operated by or on behalf of the ATS, described in section 12.1 of National Instrument 21-101, the Significant Change will not be effective until a reasonable period of time after the ATS is notified that the Significant Change is approved.

(d) In determining what constitutes a reasonable period of time for purposes of implementing a Significant Change under paragraph (c), Staff will consider how the Significant Change will impact the ATS, its market structure, subscribers, investors or the Canadian capital markets or otherwise raises regulatory or public interest concerns.

(e) The ATS must notify Staff promptly following the implementation of a Significant Change or Fee Change that becomes effective under subsections (a) and (b).

(f) Where the ATS does not implement a Significant Change or Fee Change within 180 days of the effective date of the Fee Change or Significant Change, as provided for in subsections (a) and (b), the Significant Change or Fee Change will be deemed to be withdrawn.

12. Significant Revisions and Republication

(a) If, subsequent to its publication for comment, the ATS revises a Significant Change subject to Public Comment or Fee Change subject to Public Comment in a manner that results in a material change to the proposed substance or effect of the Change, Staff will, in consultation with the ATS, determine whether or not the revised Change should be published for an additional 30-day comment period.

(b) If a Significant Change subject to Public Comment or Fee Change subject to Public Comment is republished under subsection (a), the request for comments will include a blacklined version marked to the originally published version, a summary of comments and responses prepared by the ATS, and an explanation of the revisions and the supporting rationale for the revisions.

13. Withdrawal of a Fee Change or Significant Change

(a) If the ATS withdraws a Fee Change or a Significant Change that was previously submitted, it will provide a written notice of withdrawal to Staff.

(b) If the notice of withdrawal relates to a Significant Change subject to Public Comment or Fee Change subject to Public Comment, Staff will publish the notice of withdrawal in the OSC Bulletin and/or on the OSC website as soon as practicable.

(c) If a Significant Change subject to Public Comment or Fee Change subject to Public Comment is deemed to have been withdrawn as provided in subsection 9(e), Staff will prepare and publish a notice informing market participants that the ATS did not proceed with the Change.

14. Effective Date of a Housekeeping Change

(a) Subject to subsections (b) and (c), a Housekeeping Change will be effective on the date designated by the ATS.

(b) Staff will review the materials submitted by the ATS for a Housekeeping Change to assess the appropriateness of the categorization of the Change as housekeeping within five business days from the date that the ATS submitted the documents in accordance with subsections 6(c) and 6(d). The ATS will be notified in writing if there is disagreement with respect to the categorization of the Change as housekeeping.

(c) If Staff disagree with the categorization of the Change as housekeeping, the ATS will immediately repeal the Change, submit the proposed Change as a Significant Change, and follow the review and approval process described in this Protocol as applying to a Significant Change, including those processes applicable to a Significant Change subject to Public Comment, if applicable.

15. Immediate Implementation of a Significant Change

(a) The ATS may need to make a Significant Change effective immediately where the ATS determines that there is an urgent need to implement the Change to maintain fair and orderly markets, or because of a substantial and imminent risk of material harm to the ATS, its subscribers, other market participants or investors.

(b) When the ATS determines that immediate implementation is necessary, it will advise Staff in writing as soon as possible, but in any event, at least five business days prior to the proposed implementation of the Significant Change. The written

notice will include the expected effective date of the Significant Change and an analysis to support the need for immediate implementation. An application for an exemption from the 45-day advance filing requirements in National Instrument 21-101 must follow within five business days following the ATS receiving notice that Staff agree with immediate implementation of the Significant Change.

(c) If Staff do not agree that immediate implementation is necessary, Staff will promptly notify the ATS, in writing, of the disagreement no later than the end of the third business day following submission of the notice under subsection (b). If the disagreement is not resolved, the ATS will submit the Significant Change in accordance with the timelines in section 6.

16. Review of a Significant Change Implemented Immediately

A Significant Change that has been implemented immediately in accordance with section 15 will be published, if applicable, and reviewed and approved by the Director or by the Commission in accordance with the procedures set out in section 9, with necessary modifications. If the Director or the Commission does not approve the Significant Change, the ATS will immediately repeal the Change and inform its subscribers of the decision.

17. Application of Section 21 of the *Securities Act* (Ontario)

The Commission's powers under section 21.0.1 of the *Securities Act* (Ontario) are not constrained in any way, notwithstanding a Change having been approved under this Protocol.

B.2.3 Investment Industry Regulatory Organization of Canada – s. 21.1(4)

Headnote

Approval of the IIROC Application regarding the IIROC Restricted Fund.

Statutes Cited

Securities Act, R.S.O. 1990, c. S.5, as am., s. 21.1(4).

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

AND

IN THE MATTER OF
INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

ORDER
(Subsection 21.1(4) of the Act)

WHEREAS section 21.1 of the Act provides the Ontario Securities Commission (**Commission**) with the power to recognize, on the application, the self-regulatory organization if the Commission is satisfied that to do so would be in the public interest;

AND WHEREAS the Commission recognized the Investment Industry Regulatory Organization of Canada (**IIROC**) as a self-regulatory organization for investment dealers by an order dated May 16, 2008, as amended on May 28, 2010, March 9, 2018 and October 22, 2020, subject to terms and conditions (the **IIROC Recognition Order**);

AND WHEREAS on August 3, 2021, the Canadian Securities Administrators (the **CSA**) published the *CSA Position Paper 25-404 New Self-Regulatory Organization Framework* (the **CSA Position Paper**) describing the plan to establish a new single enhanced self-regulatory organization that will consolidate the functions of IIROC and the Mutual Fund Dealers Association of Canada (**MFDA**); and the MFDA and IIROC commenced the process of amalgamation to create a new single self-regulatory organization (**New SRO**).

AND WHEREAS on August 10, 2022, the Commission received a request from IIROC (**Application**) seeking to use unallocated monies from the IIROC Restricted Fund, as defined in Schedule 1, to pay for external advisor costs incurred by IIROC related to the creation of the New SRO (the **New SRO Integration Costs** described in Appendix A of Schedule 1 of this **Order**) in accordance with subparagraph 8(a)(iv) of Appendix A of the IIROC Recognition Order[1].

AND WHEREAS IIROC has submitted that:

1. It has incurred, and continues to incur, the New SRO Integration Costs for the following services:

   (i) legal and regulatory advisors to advise on all aspects of the integration of IIROC into the New SRO;

   (ii) consultants to advise on the integration of IIROC into the New SRO, including advice related to corporate structure, organizational design and change management;

   (iii) consultants to conduct an executive search for the CEO and members of the board of directors for the New SRO;

[1] Section 8 of Appendix A - Terms and Conditions of the Recognition Order states that "*All fines collected by IIROC and all payments made under settlement agreements entered into with the IIROC may be used only as follows:*
(a) as approved by the Board's corporate governance committee,
(i) for the development of systems or other expenditures that are necessary to address emerging regulatory issues and are directly related to protecting investors or the integrity of the capital markets, provided that any such use does not constitute normal course operating expenses;
(ii) for education or research projects that are directly relevant to the investment industry, are in the public interest, and which benefit the public or the capital markets;
(iii) to contribute to non-profit, tax-exempt organization, the purposes of which include protection of investors, or those described in paragraph (a)(ii);
(iv) for such other purposes as may be subsequently approved by the Commission; or
(b) for reasonable costs associated with the administration of the IIROC's hearing panels.

(iv) accounting support to produce pro forma financial statements for the New SRO; and

(v) compensation and benefits structure alignment advisors;

2. The New SRO Integration Costs directly arise from the creation of the New SRO, mandated by the CSA;

3. As the CSA Position Paper describes the creation of the New SRO as an initiative with a clear public interest mandate which will enhance investor protection, IIROC is of the view that disbursements from the IIROC Restricted Fund to cover such costs would be appropriate and consistent with the underlying intent in section 8 of Appendix A of the IIROC Recognition Order that fine and settlement monies be used for public interest and investor protection purposes; and

4. The use of the funds from the IIROC Restricted Fund towards the New SRO Integration Costs will not impact the availability of the funds for other expenses contemplated by subparagraphs 8(a)(i) to (iii) and paragraph 8(b) of Appendix A of the IIROC Recognition Order.

AND WHEREAS CSA staff created a dedicated working group (the **CSA Working Group**) that conducted a thorough review of the Application and the above submissions.

AND WHEREAS the CSA Working Group recommends that IIROC be permitted to access, on a limited basis, funds for costs up to $4.29 million, as described in Appendix A of Schedule 1, for the following reasons:

- The IIROC Restricted Fund is restricted to expenses that are not considered operating in nature. Any costs directly associated with IIROC integrating into the New SRO are not ordinary operating costs;

- According to the CSA Position Paper, creation of the New SRO will contribute to the regulatory framework that has a clear public interest mandate which will enhance investor protection. The underlying intent of section 8 of Appendix A of the IIROC Recognition Order is that fine and settlement monies be used for public interest and investor protection purposes. As such, the specified use of the IIROC Restricted Fund for the payment of external advisory costs associated with the formation of the New SRO is consistent with the intent of the IIROC Recognition Order; and

- Use of the IIROC Restricted Fund will be limited to the New SRO Integration Costs, which can only be accessed in accordance with the specific terms and conditions set out in Schedule 1 of this Order.

AND WHEREAS the Commission has approved a similar request from the MFDA.

AND WHEREAS, based on the Application, the Commission has determined that it is in the public interest to allow IIROC limited access to the IIROC Restricted Fund;

IT IS ORDERED by the Commission that, pursuant to subsection 21.1(4) of the Act, IIROC may access the IIROC Restricted Fund to pay for the New SRO Integration Costs;

PROVIDED THAT IIROC complies with the terms and conditions contained in Schedule 1 of this order.

Dated: September 22, 2022

"Susan Greenglass"
Director, Market Regulation
Ontario Securities Commission

SCHEDULE 1
The Investment Industry Regulatory Organization of Canada Restricted Fund Application:
Terms and Conditions

Definition

1. In this Schedule:

   "New SRO Integration Costs" means external advisory costs related to the implementation of a new self-regulatory organization described in Appendix A.

   "Restricted Fund" means the funds resulting from all fines collected by IIROC and all payments made under settlement agreements entered into with IIROC.

Quarterly Reporting

2. IIROC must file with the Commission, by delivering to the members of the CSA Oversight Committee, within 30 days after the end of each quarter, starting with the quarter ending September 30, 2022, a report that includes the following information and documents:

   (a) a summary of New SRO Integration Costs incurred during the previous calendar quarter or, in case of the initial filing, a summary of all New SRO Integration Costs incurred prior to September 30, 2022; and

   (b) a summary of the New SRO Integration Costs that the IIROC reasonably expects to incur during the next calendar quarter (the **"Quarterly Reports"**).

Certification

3. The Quarterly Reports shall include a certification by the IIROC Chief Financial Officer, President and the Chair of the Finance, Audit and Risk Committee that:

   (a) the expenses incurred during the relevant period are not operational in nature and only relate to the New SRO Integration Costs as set out in Appendix A; and

   (b) after paying the New SRO Integration Costs, sufficient funds remain in the IIROC's restricted fund for other expenses contemplated by subparagraphs 8(a)(i) to (iii) and paragraph 8(b) of Appendix A to the IIROC's Recognition Order.

Other Conditions

4. IIROC must make an additional application under subparagraph 8(a)(iv) of Appendix A to the IIROC Recognition Order and obtain additional prior approval by the Commission if it will use the Restricted Fund:

   (a) to pay for any New SRO Integration Cost that exceeds the amounts set out in Appendix A under the Approved IIROC Expenditures; and

   (b) to pay any cost that is not a New SRO Integration Cost described in Appendix A.

5. IIROC shall not use the Restricted Fund for any New SRO Integration Costs incurred after December 31, 2022.

Appendix A
New SRO Integration Costs[1]

Nature of Costs	Advisory Mandate	Projected Total Costs[2]	Approved IIROC Expenditures
Legal Fees	Integration Advisory	N/A	$1.182M
Other External Consultants – Advisory Contract	Integration Management	$5.525M - $5.650M	$2.593M
Executive Search – Fees & Support	New CEO and Board Search	$0.966M - $1.081M	$483K
Finance - Accounting Support	Proforma Financial Statements	$60K - $68K	$18K
Human Resources – Compensation and Benefits Structure Alignment	Compensation and Benefits Structure Alignment	$434K - $566K	$14K
Total			**$4.290M**

Notes:

1. K= 1,000; M= 1,000,000
2. Range of projected third-party advisor and consultant costs.

B.3
Reasons and Decisions

B.3.1 ICE Bonds Securities Corporation

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – relief from National Instrument 21-101 Marketplace Operation, National Instrument 23-101 Trading Rules and National Instrument 23-103 Electronic Trading and Direct Electronic Access to Marketplaces (the Marketplace Rules) – Applicant seeking exemption from the Marketplace Rules in their entirety – relief granted, subject to conditions.

Citation

Re ICE BONDS SECURITIES CORPORATION, 2022 ABASC 138

October 14, 2022

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA,
ALBERTA,
SASKATCHEWAN,
MANITOBA,
ONTARIO,
QUÉBEC,
NEW BRUNSWICK AND
NOVA SCOTIA
(the Jurisdictions)

AND

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

AND

IN THE MATTER OF
ICE BONDS SECURITIES CORPORATION
(the Filer)

DECISION

Background

The securities regulatory authority or regulator in each of the Jurisdictions (**Decision Maker**) has received an application (the **Application**) from the Filer in respect of its operation of ICE TMC alternative trading system (**ICE TMC ATS**) for a decision under the securities legislation of the Jurisdictions (the **Legislation**) for an exemption pursuant to subsection 15.1(1) of National Instrument 21-101 *Marketplace Operation* (**NI 21-101)** in the Jurisdictions other than Ontario and subsection 15.1(2) of NI 21-101 in Ontario from NI 21-101 in whole, pursuant to subsection 12.1(1) of National Instrument 23-101 *Trading Rules* (**NI 23-101**) in the Jurisdictions other than Ontario and subsection 12.1(2) of NI 23-101 in Ontario from NI 23-101 in whole and pursuant to subsection 10(1) of National Instrument 23-103 *Electronic Trading and Direct Electronic Access to Marketplaces* (**NI 23-103**) in the Jurisdictions other than Ontario and subsection 10(2) of NI 23-103 in Ontario from NI 23-103 in whole (the **Exemptive Relief Sought**). Under National Policy 11-203 *Process for Exemptive Relief Applications in Multiple Jurisdictions* (for a coordinated review application):

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

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

Interpretation

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

Representations

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

1. The Filer is a private corporation incorporated under the laws of Delaware whose registered office is at 3411 Silverside Road, Tatnall Building, Suite 104, Wilmington, Delaware, United States of America (**US**), and whose head office is located at 55 East 52nd Street, 40th Floor, New York, New York, US.

2. The Filer is an indirect wholly owned subsidiary of Intercontinental Exchange, Inc. (**ICE**, NYSE ticker: ICE). ICE is a Fortune 500 company that operates a global network of futures, equity and equity options exchanges, as well as global clearing and data services across financial and commodity markets. ICE currently operates 13 exchanges and 6 clearing houses, and offers trade execution, central clearing, and data services. As part of its global network, ICE owns and operates entities registered with and regulated by the US Securities and Exchange Commission (**SEC**), including ICE Clear Credit, LLC, a registered clearing agency, and the New York Stock Exchange. ICE is also the owner of multiple broker-dealers, which are members of the Financial Industry Regulatory Authority (**FINRA**), including the Filer.

3. The Filer offers fixed income products and operates three alternative trading systems (each, an **ATS**) that are registered with the SEC, and is a broker-dealer registered with the SEC pursuant to section 15 of the *Securities Exchange Act of 1934*, as amended, (**Exchange Act**). The Filer is also a member of FINRA and the Municipal Securities Rulemaking Board (**MSRB**).

4. The Filer is subject to a comprehensive regulatory regime in the US. The Filer is regulated by the SEC and FINRA as a broker-dealer and an ATS. The SEC and FINRA fulfil their regulatory responsibilities within the framework established by the Exchange Act and FINRA member rules.

5. ATS #1 operates under the name of ICE Credit Trade (**ICT ATS**), which is also a doing business name of the Filer. The ICT ATS is primarily a fixed income session-based auction market located and operated primarily in the US. The ICT ATS offers fixed income trading on a riskless principal basis in fixed income securities denominated in either US dollars or other foreign currencies, and settles on a fully-disclosed basis through its clearing broker.

6. ATS #2 operates under the name of ICE BondPoint (**ICE BondPoint ATS**), which is also a doing business name of the Filer. In connection with the Filer's fixed income securities related business that occurs on the ICE BondPoint ATS, the Filer may act in either (i) a riskless principal capacity, whereby the Filer is the counterparty to both the buyer and seller of a respective transaction, or (ii) in an agency capacity, whereby the Filer introduces the transaction counterparties to one another after the execution of a transaction on the ICE BondPoint ATS. When acting in an agency capacity, the counterparties to the transaction will clear and settle such transaction directly with one another, as opposed to the Filer acting as the counterparty intermediary (i.e., riskless principal). When acting in a riskless principal capacity, transactions effected on the ICE BondPoint ATS are submitted for clearance and settlement on a fully-disclosed basis to the Filer's affiliated clearing broker registered as a broker dealer with the SEC, ICE Securities Execution & Clearing, LLC (**ISEC**), and subsequently cleared and settled through a registered clearing agency.

7. The ICT ATS and ICE BondPoint ATS have previously obtained exemptive relief pursuant to a decision dated June 19, 2020 granted under the Legislation of the Jurisdictions.

8. ATS #3 operates under the name ICE TMC, which is also a doing business name of the Filer. Prior to June 1, 2020, ICE TMC ATS was operated by an affiliate of the Filer, TMC Bonds, L.L.C., a separate broker-dealer and ATS registered with the SEC. On June 1, 2020, ICE TMC ATS was consolidated into the Filer and at that point the Filer became the operator of the ICE TMC ATS.

9. ICE TMC ATS is an electronic marketplace where qualified institutional firms trade with each other on a predominately anonymous basis in municipal securities, corporate securities, government-sponsored enterprise and agency securities, mortgage-backed securities and U.S. Treasury securities as well as structured products and certificates of deposit. The Filer generally acts in a riskless principal capacity, which means that the Filer is the counter-party to each side of the trade executed over the ICE TMC ATS. When acting in a riskless principal capacity, transactions effected on the ICE TMC ATS settle on a fully-disclosed basis through ISEC. The ICE TMC ATS model is analogous to a central limit order book where subscribers can see full depth of market participation on both the bid and offer side. In some limited circumstances, such as for new issue securities, the Filer may act on an agency basis with its subscribers. When acting in an agency capacity, the counterparties to the transactions effected on the ICE TMC ATS clear and settle directly with one another and the Filer has no involvement in the post-execution processes. Some subscribers may also take an ICE TMC ATS market data feed and integrate it into its existing architecture, whereby it executes trades through the subscriber-operated front-end. ICE TMC ATS supports various messaging protocols, including FIX protocol. ICE TMC

ATS has developed an application programing interface (**API**) for subscribers to use in order to link their internal systems to ICE TMC ATS. Other subscribers may purchase aggregated market data from ICE TMC ATS with no intention to transact on the ICE TMC ATS.

10. ICE TMC ATS's secondary markets are predominantly anonymous. Yet scenarios may arise where a subscriber directs ICE TMC ATS to disclose its name. These scenarios include, but are not necessarily limited to, the following situations: 1) full disclosure of its name, 2) selective disclosure of its name to certain other subscribers, or 3) disclosure of its name in the event of an unresolved trading matter.

11. The Filer does not have any offices or maintain other physical installations in Alberta, British Columbia, Manitoba, Saskatchewan, Ontario, Québec, New Brunswick, Nova Scotia or any other Canadian province or territory.

12. The Filer is a FINRA Trade Reporting and Compliance Engine (**TRACE**) and MSRB Real-Time Transaction Reporting (**RTRS**) reporting firm and as such, with the exception of transactions in municipal securities arranged on an agency basis on the ICT ATS, ICE BondPoint or ICE TMC ATS (each, an **ATS Platform**, and collectively the **ATS Platforms**) (which are not required to be reported by the Filer), the Filer will report all other eligible securities transactions executed on the ATS Platforms by subscribers located in the Jurisdictions (**Canadian Subscribers**) to TRACE and RTRS either within the required 15 minute time frame or at month end as required under FINRA Rule 6732. These transactions are reported to TRACE and MSRB on an anonymized basis, identifying only that it was a "customer" that traded with the Filer. The Filer's market participant identifiers are TMCC, CSCA, CTSC and VABD.

13. The Filer proposes to offer Canadian Subscribers direct access to the ATS Platforms to facilitate trades in any debt security that is a foreign security or a debt security that is denominated in a currency other than the Canadian dollar as such terms are defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**NI 31-103**), including:

    (a) debt securities issued by the US government and state, city, county, municipal and other US governmental entities (including agencies or instrumentalities thereof);

    (b) debt securities issued by a foreign government;

    (c) debt securities issued by corporate or other non-governmental issuers (US and foreign) or

    (d) asset-backed securities (including mortgage backed securities), denominated in either US or foreign currencies.

    (collectively, **Non-Canadian Fixed Income Securities**).

14. Non-Canadian Fixed Income Securities includes certain securities that may not be registered pursuant to subsection 12(b) of the Exchange Act and may not be listed on one or more national securities exchanges which are registered pursuant to section 6 of the Exchange Act.

15. The ATS Platforms will only trade the Non-Canadian Fixed Income Securities that are permitted to be traded in the United States under applicable securities laws and regulations.

16. The Filer is currently relying on the "international dealer exemption" under section 8.18 of NI 31-103 in each of the Jurisdictions.

17. The Filer ensures that all applicants to become Canadian Subscribers must satisfy the Filer's eligibility criteria, including, among other things, that each Canadian Subscriber is a "permitted client" as that term is defined in NI 31-103.

18. The ATS Platforms will receive an order from a Canadian Subscriber for execution. All orders and executions will be governed by the respective ATS Platform's operating procedures.

19. The Filer is not in default of securities legislation in any Jurisdiction.

Decision

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

The decision of the Decision Makers under the Legislation is that the Exemptive Relief Sought is granted provided that the Filer complies with the terms and conditions attached hereto as Schedule A.

DATED October 14, 2022

"Lynn Tsutsumi"
Director, Market Regulation
Alberta Securities Commission

SCHEDULE A

TERMS AND CONDITIONS

Regulation and Oversight of the Marketplace

1. The Filer will continue to be subject to the regulatory oversight of the regulator in its home jurisdiction;

2. The Filer will either be registered in an appropriate category or rely on an exemption from registration under Canadian securities laws;

3. The Filer will promptly notify the Decision Makers if its status in its home jurisdiction has been revoked, suspended, or amended, or the basis on which its status has significantly changed;

Access

4. The Filer will not provide direct access to a Canadian Subscriber unless the Canadian Subscriber is a "permitted client" as that term is defined in NI 31-103;

5. The Filer will require Canadian Subscribers to provide prompt notification to the Filer if they no longer qualify as "permitted clients";

6. The Filer must make available to Canadian Subscribers appropriate training for each person who has access to trade on the ATS Platforms;

Trading by Canadian Subscribers

7. The Filer will only permit Canadian Subscribers to trade the fixed income securities listed in representation number 13 of the Decision;

8. Except as described in the representations in the attached order, trades on the ATS Platforms by Canadian Subscribers will be cleared and settled through a clearing agency that is regulated as a clearing agency in the clearing agency's home jurisdiction;

9. The Filer will only permit Canadian Subscribers to trade those securities which are permitted to be traded in the United States under applicable securities laws and regulations;

10. With the exception of transactions in municipal securities arranged on an agency basis on the ATS Platforms (which are not required to be reported by the Filer), the Filer will report all other securities transactions executed on the ATS Platforms by Canadian Subscribers to TRACE and RTRS in a timely manner. These transactions are reported to TRACE and MSRB on an anonymized basis, identifying only that it was a "customer" that traded with the Filer. The Filer's market participant identifiers are TMCC, CSCA, CTSC and VABD;

Reporting

11. The Filer will promptly notify staff of the Decision Makers of any of the following:

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

        (i) changes to its regulatory oversight;

        (ii) the access model, including eligibility criteria, for Canadian Subscribers;

        (iii) systems and technology; and

        (iv) its clearing and settlement arrangements;

    (b) any change in its regulations or the laws, rules, and regulations in the home jurisdiction that materially affect the operation of the ATS Platforms;

    (c) any known investigations (other than routine regulatory examinations, audits or inquiries) of, or disciplinary action against, the Filer by the regulator in the home jurisdiction or any other regulatory authority to which it is subject;

    (d) any matter known to the Filer that may affect its financial or operational viability, including, but not limited to, any significant system failure or interruption; and

(e) any default, insolvency, or bankruptcy of any subscriber known to the Filer or its representatives that may have a material, adverse impact upon the ATS Platforms, the Filer or any Canadian Subscriber;

12. The Filer will maintain the following updated information and submit such information in a manner and form acceptable to staff of the Decision Makers on a semi-annual basis (within 30 days of the end of each six-month period), and at any time promptly upon the request of staff of the Decision Makers:

(a) a current list of all Canadian Subscribers on a per provincial basis, specifically identifying for each Canadian Subscriber the basis upon which it represented to the Filer that it could be provided with direct access;

(b) a list of all Canadian applicants for status as a Canadian Subscriber on a per provincial basis who were denied such status or access or who had such status or access revoked during the period;

(i) for those Canadian Subscribers who had their status revoked, an explanation as to why their status was revoked;

(c) for each product:

(i) the total trading volume and value originating from Canadian Subscribers, presented on a per provincial Canadian Subscriber basis and

(ii) the proportion of worldwide trading volume and value on the ATS Platforms conducted by Canadian Subscribers, presented in the aggregate per province for such Canadian Subscribers; and

(d) a list of any system outages that occurred for any system impacting Canadian Subscribers' trading activity on the ATS Platforms which were reported to the regulator in the home jurisdiction, if any;

Disclosure

13. The Filer will provide to its Canadian Subscribers disclosure that states that:

(a) rights and remedies against it may only be governed by the laws of the home jurisdiction, rather than the laws of Canada, and may be required to be pursued in the home jurisdiction rather than in Canada;

(b) the rules applicable to trading on the ATS Platforms may be governed by the laws of the home jurisdiction, rather than the laws of Canada; and

(c) the Filer is regulated by the regulator in the home jurisdiction, rather than the Decision Makers;

Submission to Jurisdiction and Agent for Service

14. With respect to a proceeding brought by the Decision Makers, staff of the Decision Makers or another applicable securities regulatory authority in Canada arising out of, related to, concerning or in any other manner connected with such regulatory authority's regulation and oversight of the activities of the Filer in Canada, the Filer will submit to the non-exclusive jurisdiction of (i) the courts and administrative tribunals of Canada, and (ii) an administrative proceeding in Canada;

15. The Filer will file with the Decision Makers a valid and binding appointment of Osler, Hoskin and Harcourt LLP, or any subsequent agent, as the agent for service in Canada upon which the Decision Makers or other applicable regulatory authority in Canada may serve a notice, pleading, subpoena, summons, or other process in any action, investigation, or administrative, criminal, quasi-criminal, penal, or other proceeding arising out of or relating to or concerning the regulation and oversight of the ATS Platforms or the Filer's activities in Canada; and

Information Sharing

16. The Filer shall, subject to applicable laws, provide information within the care and control of the Filer as may be requested from time to time, and otherwise cooperate wherever reasonable with the Decision Makers, staff of the Decision Makers, recognized self-regulatory organizations, investor protection funds and other appropriate Canadian legal and regulatory bodies.

B.3.2 Ninepoint Partners LP

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – relief granted under subsection 62(5) of the Securities Act to permit extensions of two prospectus lapse dates by 87 days and 73 days, to facilitate consolidation of the funds' prospectuses with the prospectuses of other funds under common management – no conditions.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., s. 62(5).

October 18, 2022

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

AND

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

AND

IN THE MATTER OF
NINEPOINT PARTNERS LP
(the Filer)

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filer on behalf of Ninepoint Carbon Credit ETF and Ninepoint Energy Income Fund (collectively, the **Funds**) for a decision under the securities legislation of the Jurisdiction of the principal regulator (the **Legislation**) that the time limits for the renewal of the simplified prospectus of Ninepoint Carbon Credit ETF dated February 4, 2022 (the **Carbon Credit ETF Prospectus**) and the simplified prospectus of Ninepoint Energy Income Fund dated February 18, 2022 (the **Energy Income Fund Prospectus**, and together with the Carbon Credit ETF Prospectus, the **Current Prospectuses**) be extended to the time limits that would apply as if the lapse dates of the Current Prospectuses were May 2, 2023 (the **Exemption Sought**).

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

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

(b) the Filer has provided notice that subsection 4.7(1) of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) is intended to be relied upon in each of the other provinces and territories of Canada (together with Ontario, the **Jurisdictions**).

Interpretation

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

Representations

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

1. The Filer is a limited partnership formed and organized under the laws of the Province of Ontario. The general partner of the Filer is Ninepoint Partners GP Inc., a corporation incorporated under the laws of the Province of Ontario. The head office of the Filer is located in Toronto, Ontario.

2. The Filer is registered under the securities legislation: (i) in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, and Newfoundland and Labrador as an adviser in the category of portfolio manager; (ii) in Ontario, Newfoundland and Labrador and Quebec as an investment fund manager; and (iii) in British Columbia, Alberta,

Quebec, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, and Newfoundland and Labrador as a dealer in the category of exempt market dealer. The Filer is also registered in Ontario as a commodity trading manager.

3. The Filer is the trustee and manager of the Funds. The Filer is also the manager of other mutual funds as listed in Schedule A (the **Other Funds**) that are offered in each of the Jurisdictions under a simplified prospectus with a lapse date of May 2, 2023.

4. Neither the Filer nor the Funds are in default of securities legislation in any of the Jurisdictions.

5. Each of the Funds is (a) an open-ended mutual fund trust established under the laws of Ontario and (b) a reporting issuer as defined in the securities legislation of each of the Jurisdictions.

6. Securities of the Funds are currently qualified for distribution in each of the Jurisdictions under the Current Prospectuses.

7. Pursuant to subsection 62(1) of the *Securities Act* (Ontario) (the **Act**), the lapse dates for the Carbon Credit ETF Prospectus and the Energy Income Fund Prospectus are February 4, 2023 and February 18, 2023, respectively (each, a **Current Lapse Date**, and collectively, the **Current Lapse Dates**). Accordingly, under subsection 62(2) of the Act, the distribution of securities of each of the Funds would have to cease on the applicable Current Lapse Date unless: (i) the Funds file a *pro forma* simplified prospectus at least 30 days prior to the applicable Current Lapse Date; (ii) the final simplified prospectus is filed no later than 10 days after the applicable Current Lapse Date; and (iii) a receipt for the final simplified prospectus is obtained within 20 days after the applicable Current Lapse Date.

8. The Filer wishes to combine the Current Prospectuses with the simplified prospectus of the Other Funds in order to reduce renewal, printing and related costs. Offering the Funds under the same renewal simplified prospectus as the Other Funds would facilitate the distribution of the Funds in the Jurisdictions under the same prospectus and enable the Filer to streamline disclosure across the Filer's fund platform. The Funds share many common operational and administrative features with the Other Funds and combining them in the same simplified prospectus will allow investors to more easily compare their features.

9. The Filer may make changes to the features of the Other Funds as part of the process of renewing the Other Funds' simplified prospectus. The ability to renew the Current Prospectuses with the simplified prospectus of the Other Funds will ensure that the Filer can make the operational and administrative features of the Funds and the Other Funds consistent with each other, if necessary.

10. If the Exemption Sought is not granted, it will be necessary to renew the Current Prospectuses twice within a short period of time in order to consolidate the Current Prospectuses with the simplified prospectus of the Other Funds, and it would be unreasonable for the Filer to incur the costs and expenses associated therewith, given investors would not be prejudiced by the Exemption Sought.

11. There have been no material changes in the affairs of the Funds since the dates of the Current Prospectuses. Accordingly, the Current Prospectuses and current fund facts and ETF facts document(s) of each of the Funds continues to provide accurate information regarding the Funds.

12. Given the disclosure obligations of the Filer and the Funds, should any material change in the business, operations or affairs of the Funds occur, the Current Prospectuses and current fund facts and ETF facts document(s) of the applicable Fund(s) will be amended as required under the Legislation.

13. New investors of the Funds will receive delivery of the most recently filed fund facts or ETF facts document(s) of the applicable Fund(s). The Current Prospectuses of the Funds will remain available to investors upon request.

14. The Exemption Sought will not affect the accuracy of the information contained in the Current Prospectuses or the respective fund facts or ETF facts document(s) of each of the Funds, and therefore will not be prejudicial to the public interest.

Decision

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

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

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

Application File #: 2022/0449

Schedule A

Ninepoint Diversified Bond Fund
Ninepoint Energy Fund
Ninepoint Global Infrastructure Fund
Ninepoint Global Real Estate Fund
Ninepoint Gold and Precious Minerals Fund
Ninepoint High Interest Savings Fund
Ninepoint Alternative Health Fund
Ninepoint International Small Cap Fund
Ninepoint FX Strategy Fund
Ninepoint Alternative Credit Opportunities Fund
Ninepoint Convertible Securities Fund
Ninepoint Silver Equities Fund
Ninepoint Risk Advantaged U.S. Equity Index Fund
Ninepoint Return Advantaged U.S. Equity Index Fund
Ninepoint Focused Global Dividend Fund
Ninepoint Resource Fund
Ninepoint Resource Fund Class
Ninepoint Gold Bullion Fund
Ninepoint Silver Bullion Fund

B.4
Cease Trading Orders

B.4.1 Temporary, Permanent & Rescinding Issuer Cease Trading Orders

Company Name	Date of Temporary Order	Date of Hearing	Date of Permanent Order	Date of Lapse/Revoke
THERE IS NOTHING TO REPORT THIS WEEK.				

Failure to File Cease Trade Orders

Company Name	Date of Order	Date of Revocation
Australis Capital Inc.	October 18, 2022	
PlantX Life Inc.	October 18, 2022	
Bluewater Acquisition Corp.	October 24, 2022	

B.4.2 Temporary, Permanent & Rescinding Management Cease Trading Orders

Company Name	Date of Order	Date of Lapse
THERE IS NOTHING TO REPORT THIS WEEK.		

B.4.3 Outstanding Management & Insider Cease Trading Orders

Company Name	Date of Order or Temporary Order	Date of Hearing	Date of Permanent Order	Date of Lapse/Expire	Date of Issuer Temporary Order
Performance Sports Group Ltd.	19 October 2016	31 October 2016	31 October 2016		

Company Name	Date of Order	Date of Lapse
Agrios Global Holdings Ltd.	September 17, 2020	
Gatos Silver, Inc.	April 1, 2022	
Gatos Silver, Inc.	April 12, 2022	
Sproutly Canada, Inc.	June 30, 2022	
Gatos Silver, Inc.	July 7, 2022	
PlantX Life Inc.	August 4, 2022	
Radient Technologies Inc.	August 5, 2022	
AION THERAPEUTIC INC.	August 31, 2022	
iMining Technologies Inc.	September 30, 2022	

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B.7
Insider Reporting

This chapter is available in the print version of the OSC Bulletin, as well as in Thomson Reuters Canada's internet service SecuritiesSource (see www.westlawnextcanada.com).

This chapter contains a weekly summary of insider transactions of Ontario reporting issuers in the System for Electronic Disclosure by Insiders (SEDI). The weekly summary contains insider transactions reported during the seven days ending Sunday at 11:59 pm.

To obtain Insider Reporting information, please visit the SEDI website (www.sedi.ca).

B.9
IPOs, New Issues and Secondary Financings

INVESTMENT FUNDS

Issuer Name:
Next Edge Biotech and Life Sciences Opportunities Fund
Next Edge Strategic Metals and Commodities Fund
(formerly Next Edge Strategic Metals and Opportunities Fund)
Veritas Next Edge Premium Yield Fund
Principal Regulator – Ontario
Type and Date:
Combined Preliminary and Pro Forma Simplified Prospectus dated Oct 14, 2022
NP 11-202 Final Receipt dated Oct 18, 2022
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
N/A
Project #3437741

Issuer Name:
Sun Life Sustainable Canadian Fixed Income Fund
Principal Regulator – Ontario
Type and Date:
Preliminary Simplified Prospectus dated Oct 21, 2022
NP 11-202 Preliminary Receipt dated Oct 24, 2022
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
N/A
Project #3447520

Issuer Name:
Invesco ESG NASDAQ 100 Index ETF
Invesco ESG NASDAQ Next Gen 100 Index ETF
Invesco S&P 500 ESG Index ETF
Invesco S&P 500 ESG Tilt Index ETF
Invesco S&P International Developed ESG Index ETF
Invesco S&P International Developed ESG Tilt Index ETF
Invesco S&P US Total Market ESG Index ETF
Invesco S&P US Total Market ESG Tilt Index ETF
Invesco S&P/TSX 60 ESG Tilt Index ETF
Invesco S&P/TSX Composite ESG Index ETF
Invesco S&P/TSX Composite ESG Tilt Index ETF
Principal Regulator - Ontario
Type and Date:
Amendment #4 to Final Long Form Prospectus dated October 14, 2022
NP 11-202 Final Receipt dated Oct 18, 2022
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
N/A
Project #3305170

Issuer Name:
Russell Investments Focused US Equity Pool
Russell Investments Focused US Equity Class
Russell Investments Focused Global Equity Pool
Russell Investments Focused Global Equity Class
Principal Regulator - Ontario
Type and Date:
Amendment #1 to Final Simplified Prospectus dated October 12, 2022
NP 11-202 Final Receipt dated Oct 18, 2022
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
N/A
Project #3445615

Issuer Name:
Russell Investments Focused Canadian Equity Pool
Russell Investments Focused Canadian Equity Class
Principal Regulator - Ontario
Type and Date:
Amendment #2 to Final Simplified Prospectus dated October 13, 2022
NP 11-202 Final Receipt dated Oct 18, 2022
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
N/A
Project #3445615

Issuer Name:
The Bitcoin Fund
Principal Regulator - Ontario
Type and Date:
Amendment #2 dated October 21, 2022 to Final Shelf Prospectus dated November 5, 2020
Received on October 21, 2022
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
3iQ CORP.
Project #3125542

Issuer Name:
The Ether Fund
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated October 21, 2022 to Final Shelf Prospectus dated February 8, 2021
Received on October 21, 2022
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
3iQ CORP.
Project #3166566

NON-INVESTMENT FUNDS

Issuer Name:
Brookfield Asset Management Ltd.
Principal Regulator - Ontario
Type and Date:
Preliminary Long Form Prospectus dated October 18, 2022
NP 11-202 Preliminary Receipt dated October 19, 2022
Offering Price and Description:
Class A Limited Voting Shares of
Brookfield Asset Management Ltd.
Underwriter(s) or Distributor(s):
-
Promoter(s):
Brookfield Asset Management Inc.
Project #3446469

Issuer Name:
Brookfield Renewable Corporation
Principal Regulator - Ontario
Type and Date:
Preliminary Shelf Prospectus dated October 20, 2022
NP 11-202 Preliminary Receipt dated October 21, 2022
Offering Price and Description:
US$2,500,000,000.00 -Class A Exchangeable Subordinate Voting Shares of Brookfield Renewable Corporation Limited Partnership Units of Brookfield Renewable Partners L.P. (issuable or deliverable upon exchange, redemption or acquisition of Class A Exchangeable Subordinate Voting Shares)
Underwriter(s) or Distributor(s):
-
Promoter(s):
BROOKFIELD RENEWABLE PARTNERS L.P.
Project #3447170

Issuer Name:
Brookfield Renewable Partners L.P.
Principal Regulator - Ontario
Type and Date:
Preliminary Shelf Prospectus dated October 20, 2022
NP 11-202 Preliminary Receipt dated October 21, 2022
Offering Price and Description:
US$2,500,000,000.00 - Class A Exchangeable Subordinate Voting Shares of Brookfield Renewable Corporation Limited Partnership Units of Brookfield Renewable Partners L.P. (issuable or deliverable upon exchange, redemption or acquisition of Class A Exchangeable Subordinate Voting Shares)
Underwriter(s) or Distributor(s):
-
Promoter(s):
BROOKFIELD RENEWABLE PARTNERS L.P.
Project #3447169

Issuer Name:
Can-Gow Capital Inc.
Principal Regulator - Alberta
Type and Date:
Amendment dated October 21, 2022 to Preliminary CPC Prospectus dated July 20, 2022
NP 11-202 Preliminary Receipt dated October 21, 2022
Offering Price and Description:
$310,000.00 - 3,100,000 Class A Common Shares Price: $0.10 per Class A Common Share
Underwriter(s) or Distributor(s):
Leede Jones Gable Inc.
Promoter(s):
Brendon McCutcheon
Project #3410863

Issuer Name:
EV Technology Group Ltd. (formerly Blue Sky Energy Inc.)
Principal Regulator - Ontario
Type and Date:
Preliminary Shelf Prospectus dated October 24, 2022
NP 11-202 Preliminary Receipt dated October 24, 2022
Offering Price and Description:
C$50,000,000.00 - Common Shares, Debt Securities, Subscription Receipts, Warrants, Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #3447702

Issuer Name:
Showcase Minerals Inc.
Principal Regulator - British Columbia
Type and Date:
Preliminary Long Form Prospectus dated October 21, 2022
NP 11-202 Preliminary Receipt dated October 21, 2022
Offering Price and Description:
8,160,000 Units Upon the Exercise of 8,160,000 Series “A” Special Warrants and
1,272,278 Common Shares Upon the Exercise of 1,272,278 Series “B” Special Warrants
Underwriter(s) or Distributor(s):
-
Promoter(s):
Kirk Reed
Bruno Fruscalzo
Project #3447003

Issuer Name:
Avanti Helium Corp. (formerly Avanti Energy Inc.)
Principal Regulator - British Columbia
Type and Date:
Final Short Form Prospectus dated October 18, 2022
NP 11-202 Receipt dated October 19, 2022
Offering Price and Description:
Up to $5,600,000.00 Up to 8,484,848 Units
Price: $0.66
Underwriter(s) or Distributor(s):
RAYMOND JAMES LTD.
BEACON SECURITIES LIMITED
CORMARK SECURITIES INC.
HAYWOOD SECURITIES INC.
Promoter(s):
-
Project #3443838

Issuer Name:
Chicane Capital I Corp.
Principal Regulator - Ontario
Type and Date:
Final CPC Prospectus dated October 20, 2022
NP 11-202 Receipt dated October 24, 2022
Offering Price and Description:
Minimum Offering: $300,000 (3,000,000 Common Shares)
Maximum Offering: $350,000 (3,500,000 Common Shares)
Price: $0.10 per Common Share
Underwriter(s) or Distributor(s):
HAYWOOD SECURTIES INC.
Promoter(s):
-
Project #3439215

Issuer Name:
Faraday Copper Corp. (formerly Copperbank Resources Corp.)
Principal Regulator - British Columbia
Type and Date:
Final Shelf Prospectus dated October 21, 2022
NP 11-202 Receipt dated October 24, 2022
Offering Price and Description:
$75,000,000.00 - Common Shares, Preferred Shares, Debt Securities, Warrants, Subscription Receipts, Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #3438389

Issuer Name:
Mount Logan Capital Inc. (formerly, Marret Resource Corp.)
Principal Regulator - Ontario
Type and Date:
Final Shelf Prospectus dated October 18, 2022
NP 11-202 Receipt dated October 19, 2022
Offering Price and Description:
$45,000,000.00 - Common Shares, Debt Securities, Subscription Receipts, Warrants, Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #3385349

Issuer Name:
The Real Brokerage Inc. (formerly ADL Ventures Inc.)
Principal Regulator - Ontario
Type and Date:
Final Shelf Prospectus dated October 20, 2022
NP 11-202 Receipt dated October 20, 2022
Offering Price and Description:
US$200,000,000 Common Shares, Warrants, Units, Debt Securities, Subscription Receipts
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #3372138

B.10
Registrations

B.10.1 Registrants

Type	Company	Category of Registration	Effective Date
Change in Registration Category	Brownstone Asset Management Inc.	From: Portfolio Manager To: Portfolio Manager, Investment Fund Manager and Exempt Market Dealer	October 20, 2022
New Registration	StoneGate Securities Ltd./Valeurs mobilières StoneGate	Portfolio Manager and Exempt Market Dealer	October 20, 2022
New Registration	One Queen Capital Inc.	Exempt Market Dealer	October 20, 2022

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B.11
SROs, Marketplaces, Clearing Agencies and Trade Repositories

B.11.1 SROs

B.11.1.1 Investment Industry Regulatory Organization of Canada (IIROC) – Approval of the IIROC Application Regarding the IIROC Restricted Fund – Notice of Commission Order

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA (IIROC)

APPROVAL OF
THE IIROC APPLICATION REGARDING THE IIROC RESTRICTED FUND

NOTICE OF COMMISSION ORDER

The Ontario Securities Commission issued an order pursuant to section 21.1(4) of the *Securities Act* (Ontario) to allow the Investment Industry Regulatory Organization of Canada (IIROC) limited access to the IIROC Restricted Fund in order to cover certain external advisor costs incurred by IIROC in relation to the creation of the New SRO in accordance with subparagraph 8 (a)(iv) of Schedule A of the IIROC Recognition Order.

The order takes effect on October 27, 2022 and is also published on the OSC website and in Chapter B.2 of the OSC Bulletin, dated October 27, 2022.

In addition, the Alberta Securities Commission; Autorité des marchés financiers; British Columbia Securities Commission; Manitoba Securities Commission; Financial and Consumer Services Commission of New Brunswick; Office of the Superintendent of Securities, Digital Government and Services, Newfoundland and Labrador; Office of the Superintendent of Securities, Northwest Territories; Nova Scotia Securities Commission; Office of the Superintendent of Securities, Nunavut; Prince Edward Island Office of the Superintendent of Securities; Financial and Consumer Affairs Authority of Saskatchewan; and Office of the Yukon Superintendent of Securities issued analogous approvals.

B.11.2 Marketplaces

B.11.2.1 CME Amsterdam B.V. – Application for Variation of Exemption Order – Notice and Request for Comment

NOTICE AND REQUEST FOR COMMENT

APPLICATION BY
CME AMSTERDAM B.V.
TO VARY ORDER FOR EXEMPTION FROM RECOGNITION AS AN EXCHANGE

A. Introduction

This notice requests comment on:

(i) the application filed by CME Amsterdam BV (**CME Amsterdam**) under section 144 of the Securities Act (Ontario) (Act) for an order

i. revoking and replacing the order exempting it from the requirement to be recognized as an exchange contained in section 21 of the Act (**Recognition Requirement**), and

ii. exempting it from the requirements in National Instrument 21-101 *Marketplace Operation*, National Instrument 23-101 *Trading Rules* and National Instrument 23-103 *Electronic Trading and Direct Access to Marketplaces* (the **Marketplace Rules**); and

(ii) the draft order exempting CME Amsterdam from the Recognition Requirement and the Marketplace Rules.

The application by BrokerTec for an order exempting it from the Recognition Requirement and the Marketplace Rules can be found on our website www.osc.ca.

Attached to this notice is a draft exemption order.

B. Application and Draft Exemption Order

As the operator of the BrokerTec EU RM and the EBS MTF, CME Amsterdam filed the application under section 144 of the Act for an order varying its order exempting it from the Recognition Requirement and from the requirements in the Marketplace Rules in connection with its offering to participants located in Ontario trading in (i) repurchase securities collateralized by European government bonds, European and U.S. corporate bonds and European government bonds on the BrokerTec EU RM, and (ii) foreign exchange (**FX**) derivatives, FX swaps and non-deliverable forwards on the EBS MTF. The application describes CME Amsterdam's services to participants located in Ontario and its background and operations, and includes submissions from CME Amsterdam for why the exemption order should be granted.

In its application, CME Amsterdam has outlined how it meets the criteria for exemption from the Recognition Requirement. The specific criteria can be found in Appendix I to Schedule "A" of the draft exemption order. Subject to comments received, Staff intends to recommend that the Commission grant the exemption order with terms and conditions based on the draft exemption order.

C. Comment Process

The Commission is publishing for public comment the application and draft exemption order for 30 days. We are seeking comment on all aspects of the application and draft exemption order.

Please provide your comments in writing, via e-mail, on or before **November 21, 2022**, to the attention of:

Ontario Securities Commission
20 Queen Street West,
22nd Floor
Toronto, Ontario
M5H 3S8
Email: comments@osc.gov.on.ca

The confidentiality of submissions cannot be maintained as the comment letters and a summary of written comments received during the comment period will be published.

Questions may be referred to:

Timothy Baikie
Senior Legal Counsel, Market Regulation
Email: tbaikie@osc.gov.on.ca

Alina Bazavan
Market Specialist, Market Regulation
Email: abazavan@osc.gov.on.ca

Alison Beer
Senior Legal Counsel, Derivatives
Email: abeer@osc.gov.on.ca

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

AND

IN THE MATTER OF
CME AMSTERDAM B.V.

ORDER
(Section 144 of the Act)

WHEREAS CME Amsterdam B.V. (the **Applicant**) has filed an application on behalf of the Facilities (as defined below) dated October 20, 2022 (the **Application**) with the Ontario Securities Commission (**Commission**) requesting an order pursuant to section 144 of the Act for the following relief (collectively, the **Requested Relief**):

(a) exempting the Applicant from the requirement to be recognized as an exchange under subsection 21(1) of the Act pursuant to section 147 of the Act; and

(b) exempting the Applicant from the requirements in National Instrument 21-101 *Marketplace Operation* (**NI 21-101**) pursuant to section 15.1 of NI 21-101, the requirements of National Instrument 23-101 *Trading Rules* (**NI 23-101**) pursuant to section 12.1 of NI 23-101 and the requirements of National Instrument 23-103 *Electronic Trading and Direct Electronic Access to Marketplaces* (**NI 23-103**) pursuant to section 10 of NI 23-103.

AND WHEREAS the Commission granted exemptive relief to the Applicant in an order dated August 25, 2020 (the **Original Order**). On March 11, 2021, the Commission varied the Original Order by replacing Schedule "A" – Terms and Conditions to streamline the terms and conditions of the Original Order and reduce the regulatory burden on the Applicant (the **March 2021 Variation Order**). The Applicant is currently relying on the Original Order, as varied by the March 2021 Variation Order. The Applicant has filed for an order pursuant to section 144 of the Act to revoke the Original Order as of the date hereof;

AND WHEREAS the Applicant has represented to the Commission that:

1. The Applicant (formerly known as NEX Amsterdam B.V.) is a limited liability company organized under the laws of the Netherlands. The ultimate parent company of the Applicant is CME Group Inc. (**CME Group**), a publicly traded for-profit corporation organized under the laws of Delaware and listed for trading on the NASDAQ National Market. CME Group acquired NEX Group plc and its group companies, including the Applicant, on November 2, 2018;

2. The Applicant is authorised by the Dutch Minister of Finance as a "market operator" (**Market Operator**) and supervised and regulated by the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*) (the **AFM**) with permission to operate the BrokerTec EU Regulated Market platform (the **BrokerTec EU RM**), a regulated market, and the EBS Direct Forwards platform (the **EBS MTF**), a multilateral trading facility (**MTF**);

3. On March 12, 2019, the Dutch Minister of Finance authorised the Applicant to act as the Market Operator of the the BrokerTec EU RM and EBS MTF (each a **Facility** and together, the **Facilities**) in the Netherlands and the AFM has commenced supervision and regulation of the Applicant on an ongoing, active basis;

4. The European Markets in Financial Instruments Directive 2004/39/EC and Directive 2014/65/EU (collectively, **MiFID**) requires that multilateral trading by European Union (**EU**)/European Economic Area (**EEA**) participants takes place on a trading venue (i.e., a "regulated market", a "multilateral trading facility" or an "organized trading facility", as those terms are defined under MiFID);

5. The Applicant operates the Facilities for, among other things, trading fixed income securities, foreign exchange (**FX**) derivatives and other financial instruments. The Facilities are made up of different trading platforms, but the subjects of this order are (1) the BrokerTec EU RM, which trades European repurchase securities collateralized by European government bonds (and repurchase securities collateralized by European and U.S. corporate bonds (collectively **EU Repos**)) and European government bonds (**EGBs**), and (2) the EBS MTF, which trades FX derivatives, FX Swaps and Non-Deliverable Forwards (collectively with EU Repos and EGBs, the **MTF Instruments**). The Applicant may add other types of financial instruments in the future, subject to obtaining the required regulatory approvals;

6. As a Market Operator, the Applicant must comply with the Netherlands Financial Supervision Act (*Wet op het financieel toezicht*, **Wft**), MiFID, the Markets in Financial Instruments Regulation, other applicable regulation in the EEA (such as Regulation (EU) No 596/2014 – Market Abuse Regulation), the rules pertaining to this legislation and the applicable guidance from the AFM and De Nederlandsche Bank (the **Applicable Rules**), which include, among other things, rules on (i) the conduct of business (including rules regarding client categorization, communication with clients and other

investor protections and client agreements) (ii) market conduct (including rules applicable to firms operating a trading venue) and (iii) systems and controls (including rules on outsourcing, governance, record-keeping and conflicts of interest);

7. The AFM requires the Applicant to comply at all times with a set of threshold conditions for authorisation and ongoing requirements, including requirements that the Applicant has sound business and controlled business operations to be authorised and that it has appropriate resources for the activities it carries on. Breach of a threshold condition could lead to enforcement action or the Applicant's authorisation being revoked by the AFM;

8. In addition to complying with detailed AFM rules and guidance governing the organization and conduct of the Applicant's business, the Applicant is required to act in accordance with Section 4:90 of the Wft, which requires the Applicant to act honestly, fairly and professionally and refrain from actions that are detrimental to the integrity of the market. Additionally, pursuant to Section 4:14(2)(a) of the Wft, in conjunction with Article 29a(2) of the Decree on Conduct of Business Supervision (*Besluit Gedragstoezicht Financiële ondernemingen Wft*) and Article 15(5) of the Markets in Financial Instruments Directive 2014/65/EU of the European Parliament and of the Council (**MiFID II**), the Applicant must establish adequate risk management policies and procedures and adopt effective arrangements to manage the risks relating to its activities, processes and systems;

9. The Applicant is subject to prudential requirements, including minimum regulatory capital and liquidity requirements, and is capitalized in excess of regulatory requirements;

10. A Market Operator is required under the Applicable Rules to set rules, conduct compliance reviews, monitor Participants' trading activity and take enforcement action against Participants when appropriate. Pursuant to Section 4:26 of the Wft, the Applicant is required to report to the AFM where (a) there is a significant breach of the Applicant's rules; (b) there are disorderly trading conditions or (c) the Applicant identifies conduct that may involve market abuse. Furthermore, the Applicant has established, publishes, maintains and implements transparent and non-discriminatory rules, based on objective criteria, governing access to its facility (as required under Article 18(3) of MiFID II). The Facilities are required under the EU Market Abuse Regulation Article 16(1) to "establish and maintain effective arrangements, systems and procedures aimed at preventing and detecting insider dealing, market manipulation and attempted insider dealing and market manipulation";

11. The Applicant has instituted procedures and controls to collect information, examine participants' records, supervise trading on the Facilities, maintain sufficient compliance staff, establish procedures for and conduct audit trail reviews, perform automated real-time market monitoring and market surveillance and establish an automated trade surveillance system to evaluate participants' compliance with the Applicant's rules and applicable law;

12. The Applicant is required by MiFID to ensure that its fee structure is sufficiently granular to allow users to predict the payable fees on the basis of at least the following elements: (a) chargeable services, including the activity which will trigger the fee, (b) the fee for each service, stating whether the fee is fixed or variable, and (c) rebates, incentives or disincentives. MiFID also requires the Applicant to publish objective criteria for the establishment of its fees and fee structures, together with execution fees, ancillary fees, rebates, incentives and disincentives in one comprehensive and publicly accessible document on its website;

13. A Market Operator must submit all trades that are required to be cleared to a clearing house for clearing. The Applicant provides direct connectivity to LCH S.A. (**LCH**) for clearing EU Repos and EGBs. LCH is exempted from the requirement to be recognized as a clearing agency in Ontario. For the EBS MTF, settlement takes place between the counterparties. Although the EBS MTF's rules require counterparties to settle any deals, the Applicant is not involved in, nor is it responsible for, settlement or clearing and counterparties make their own bilateral arrangements;

14. The Applicant requires that its participants be "eligible counterparties" or "professional clients," each as defined in MiFID. Additionally, each prospective participant must:

    (a) in respect of EBS MTF:

        (i) enter into a valid and effective customer agreement with the Facility;

        (ii) satisfy the Applicant's internal client on-boarding requirements including, but not limited to, "know your client" procedures;

        (iii) agree to adhere, on an on-going basis, to the terms of the Applicant's Facility rulebook (the **EBS MTF Rulebook**), customer agreements, user guides and any guidance or other requirements of the Applicant;

        (iv) have the legal and regulatory capacity to undertake trading in derivatives on a trading venue;

(v) have adequate organisational procedures and controls to limit erroneous trades and the submission of erroneous orders to the Facility, including, but not limited to, the ability to cancel unexecuted orders;

(vi) meet the technical specifications and standards required by the Applicant;

(vii) be an investment firm or credit institution (each as defined by MiFID and Directive 2013/36/EU of the European Parliament and of the Council, respectively) or other person which (A) is of sufficiently good repute, (B) has a sufficient level of trading ability, competence and experience, and (C) has sufficient resources for their role as a participant; and

(viii) satisfy any additional eligibility criteria set out in any appendix to the EBS MTF Rulebook;

(b) in respect of BrokerTec EU RM:

(i) satisfy the Applicant's internal client on-boarding requirements including committing to and remaining in compliance with customer agreements and the Applicant's Facility rulebook (the **BrokerTec EU RM Rulebook**), and be classified by the Applicant as an "eligible counterparty" or "professional client" (each as defined in MiFID), unless otherwise detailed in any relevant appendix to the BrokerTec EU RM Rulebook;

(ii) be an investment firm or credit institution (each as defined by MiFID and Directive 2013/36/EU of the European Parliament and of the Council, respectively) or other person which (A) is of sufficiently good repute, (B) has a sufficient level of trading ability, competence and experience, and (C) has sufficient resources for their role as a participant;

(iii) have the legal and regulatory capacity to undertake trading in derivatives on an RM;

(iv) comply with the Facility's operational parameters annex (the **BrokerTec EU RM Operational Parameters Annex**);

(v) have adequate arrangements for entering into transactions, order management, clearing (if relevant) and settlement of orders;

(vi) have adequate organisational procedures and controls to limit erroneous trades and the submission of erroneous orders to the Facility, including, but not limited to, the ability to cancel unexecuted orders;

(vii) meet the technical specifications and standards required by the Applicant; and

(viii) satisfy any additional eligibility criteria set out in any appendix to the BrokerTec EU RM Rulebook;

15. Additionally, participants on the Facilities are responsible for all the acts, omissions, conduct and activity of their authorised employees and must ensure that their authorised employees have sufficient training, are properly supervised and have adequate experience, knowledge and competence to participate on the Facilities in accordance with the Applicant's customer agreements and with respect to the BrokerTec EU RM, the BrokerTec EU RM Rulebook and BrokerTec EU RM Operational Parameters Annex, and with respect to the EBS MTF, the EBS MTF Rulebook and any communications sent by the EBS MTF concerning its operations to participants;

16. All participants that are located in Ontario, including participants with their headquarters or legal address in Ontario (e.g., as indicated by a participant's Legal Entity Identifier (LEI)) and all traders conducting transactions on its behalf, regardless of the traders' physical location (inclusive of non-Ontario branches of Ontario legal entities), as well as any trader physically located in Ontario who conducts transactions on behalf of any other entity (**Ontario Participants**) are required to be registered under Ontario securities laws, exempt from the registration requirements or not subject to the registration requirements. An Ontario Participant is also required to immediately notify the Applicant if it ceases to meet any of the above criteria represented by it on an ongoing basis. Additionally, all Ontario Participants will be "permitted clients" as that term is defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*;

17. Because the Facilities set requirements for the conduct of their participants, they are considered by the Commission to be an exchange;

18. Because the Applicant intends to provide Ontario Participants with direct access to trading the MTF Instruments on the Facilities, the Commission will consider the Applicant to be carrying on business as an exchange in Ontario and will be required to be recognized as such pursuant to subsection 21(1) of the Act or exempted from recognition;

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

20. The Applicant satisfies the exemption criteria in Appendix I to Schedule "A";

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

AND WHEREAS the Commission will monitor developments in international and domestic capital markets and the Applicant's activities on an ongoing basis to determine whether it is appropriate for the Requested Relief to continue to be granted subject to the terms and conditions set out in Schedule "A" to this order;

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

AND WHEREAS based on the Application, together with the representations made by and acknowledgments of the Applicant to the Commission, the Commission has determined that the Applicant satisfies the criteria set out in Appendix I to Schedule "A" and that the granting of the Requested Relief would not be prejudicial to the public interest;

IT IS HEREBY ORDERED by the Commission that, (i) pursuant to section 144 of the Act, the Applicant is exempt from the requirement to be recognized as an exchange under subsection 21(1) of the Act, and (ii) pursuant to sections 15.1 of NI 21-101, 12.1 of NI 23-101 and 10 of NI 23-103, the Applicant is exempt from the requirements in NI 21-101, NI 23-101 and NI 23-103 in order to operate the BrokerTec EU RM and the EBS MTF,

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

DATED ●, 2022.

SCHEDULE "A"

TERMS AND CONDITIONS

Meeting Criteria for Exemption

1. The Applicant will continue to meet the criteria for exemption included in Appendix I to this Schedule.

Regulation and Oversight of the Applicant

2. The Applicant will maintain its authorisation as the Market Operator of one or more multilateral trading facilities or regulated markets (collectively, the **Facilities**) with the Dutch Minister of Finance and will continue to be subject to the supervision and regulatory oversight of the AFM.

3. The Applicant will continue to comply with the ongoing requirements applicable to it as a Market Operator authorised by the Dutch Minister of Finance and supervised and regulated by the AFM.

4. The Applicant will promptly notify the Commission if its authorisation as a Market Operator has been revoked, suspended, or amended by the Dutch Minister of Finance, or the basis on which its authorisation as a Market Operator has been granted has significantly changed.

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

Access

6. The Applicant will not provide direct access to a participant in Ontario, including a participant with its headquarters or legal address in Ontario (e.g., as indicated by a participant's Legal Entity Identifier (LEI)) and all traders conducting transactions on its behalf, regardless of the traders' physical location (inclusive of non-Ontario branches of Ontario legal entities), as well as any trader physically located in Ontario who conducts transactions on behalf of any other entity (**Ontario User)**, unless the Ontario User is appropriately registered as applicable under Ontario securities laws or is exempt from or not subject to those requirements, and qualifies as an "eligible counterparty" or "professional client", each as defined in MiFID.

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

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

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

Trading by Ontario Users

10. The Applicant will not provide access to an Ontario User to trading in products other than FX derivatives or debt securities without prior Commission approval.

Submission to Jurisdiction and Agent for Service

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

12. The Applicant will maintain with the Commission a valid and binding appointment of an agent for service in Ontario upon whom the Commission may serve a notice, pleading, subpoena, summons or other process in any action, investigation

or administrative, criminal, quasi-criminal, penal or other proceeding arising out of, related to, concerning or in any other manner connected with the Commission's regulation and oversight of the Applicant's activities in Ontario.

Prompt Reporting

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

    (a) any authorisation to carry on business granted by the AFM is revoked or suspended or made subject to terms or conditions on the Applicant's operations;

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

    (c) a receiver is appointed for the Applicant or the Applicant makes any voluntary arrangement with creditors;

    (d) the Applicant marketplace is not in compliance with this Order or with any applicable requirements, laws or regulations of the AFM where it is required to report such non-compliance to the AFM;

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

    (f) the Applicant makes any material change to the eligibility criteria for Ontario Users.

Semi-Annual Reporting

14. The Applicant will maintain the following updated information and submit such information in a manner and form acceptable to the Commission on a semi-annual basis (by July 31 for the first half of the calendar year and by January 31 of the following year for the second half), and at any time promptly upon the request of staff of the Commission:

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

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

    (c) a list of all Ontario Users whom the Applicant has referred to the AFM, or, to the best of the Applicant's knowledge, whom have been disciplined by the AFM with respect to such Ontario Users' activities on the Applicant's Facilities and the aggregate number of all participants referred to the AFM since the previous report by the Applicant;

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

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

    (f) for each product,

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

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

    provided in the required format.

Information Sharing

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

APPENDIX I

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

PART 1 REGULATION OF THE EXCHANGE

1.1 Regulation of the Exchange

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

1.2 Authority of the Foreign Regulator

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

PART 2 GOVERNANCE

2.1 Governance

The governance structure and governance arrangements of the exchange ensure:

(a) effective oversight of the exchange,

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

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

(i) appropriate representation of independent directors, and

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

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

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

2.2 Fitness

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

PART 3 REGULATION OF PRODUCTS

3.1 Review and Approval of Products

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

3.2 Product Specifications

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

3.3 Risks Associated with Trading Products

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

PART 4 ACCESS

4.1 Fair Access

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

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

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

(iii) systems users are adequately supervised.

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

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

(d) The exchange does not

(i) permit unreasonable discrimination among participants, or

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

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

PART 5 REGULATION OF PARTICIPANTS ON THE EXCHANGE

5.1 Regulation

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

PART 6 RULEMAKING

6.1 Purpose of Rules

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

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

(i) ensure compliance with applicable legislation,

(ii) prevent fraudulent and manipulative acts and practices,

(iii) promote just and equitable principles of trade,

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

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

(vi) ensure a fair and orderly market.

PART 7 DUE PROCESS

7.1 Due Process

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

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

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

PART 8 CLEARING AND SETTLEMENT

8.1 Clearing Arrangements

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

8.2 Risk Management of Clearing House

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

PART 9 SYSTEMS AND TECHNOLOGY

9.1 Systems and Technology

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

(a) order entry,

(b) order routing,

(c) execution,

(d) trade reporting,

(e) trade comparison,

(f) data feeds,

(g) market surveillance,

(h) trade clearing, and

(i) financial reporting.

9.2 System Capability/Scalability

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

(a) makes reasonable current and future capacity estimates;

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

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

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

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

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

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

9.3 Information Technology Risk Management Procedures

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

PART 10 FINANCIAL VIABILITY

10.1 Financial Viability

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

PART 11 TRADING PRACTICES

11.1 Trading Practices

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

11.2 Orders

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

11.3 Transparency

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

PART 12 COMPLIANCE, SURVEILLANCE AND ENFORCEMENT

12.1 Jurisdiction

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

12.2 Member and Market Regulation

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

12.3 Availability of Information to Regulators

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

PART 13 RECORD KEEPING

13.1 Record Keeping

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

PART 14 OUTSOURCING

14.1 Outsourcing

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

PART 15 FEES

15.1 Fees

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

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

PART 16 INFORMATION SHARING AND OVERSIGHT ARRANGEMENTS

16.1 Information Sharing and Regulatory Cooperation

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

16.2 Oversight Arrangements

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

PART 17 IOSCO PRINCIPLES

17.1 IOSCO Principles

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

APPENDIX II

DEFINITION OF PROFESSIONAL CLIENTS

This Appendix II provides the definition of an "Eligible Counterparty" as defined in Article 30 of Directive 2014/65/EU (**MiFID**) and a "Professional Client," as defined in Annex II of MiFID "Professional Clients for the Purpose of this Directive".

DEFINITION OF ELIGIBLE COUNTERPARTIES

I. Categorises of Clients who are Considered to be Eligible Counterparties

The following are recognised as eligible counterparties for the purposes of this Article.

1. Investment firms;
2. Credit institutions;
3. Insurance companies;
4. Collective investment schemes authorised under the UCITS Directive and their management companies;
5. Pension funds and their management companies;
6. Other financial institutions authorised or regulated under European Union law or under the national law of a European Economic Area Member State;
7. National governments and their corresponding offices including public bodies that deal with public debt at national level;
8. Central banks, and
9. Supranational organisations.

DEFINITION OF PROFESSIONAL CLIENTS

Professional client is a client who possesses the experience, knowledge and expertise to make its own investment decisions and properly assess the risks that it incurs. In order to be considered to be professional client, the client must comply with the following criteria:

I. Categories of Clients who are Considered to be Professionals

The following shall all be regarded as professionals in all investment services and activities and financial instruments for the purposes of the Directive.

1. Entities which are required to be authorised or regulated to operate in the financial markets. The list below shall be understood as including all authorised entities carrying out the characteristic activities of the entities mentioned: entities authorised by a Member State under a Directive, entities authorised or regulated by a Member State without reference to a Directive, and entities authorised or regulated by a third country:
    a. Credit institutions;
    b. Investment firms;
    c. Other authorised or regulated financial institutions;
    d. Insurance companies;
    e. Collective investment schemes and management companies of such schemes;
    f. Pension funds and management companies of such funds;
    g. Commodity and commodity derivatives dealers;
    h. Locals;
    i. Other institutional investors;

2. Large undertakings meeting two of the following size requirements on a company basis:

   a. balance sheet total: EUR 20 000 000

   b. net turnover: EUR 40 000 000

   c. own funds: EUR 2 000 000

3. National and regional governments, including public bodies that manage public debt at national or regional level, Central Banks, international and supranational institutions such as the World Bank, the IMF, the ECB, the EIB and other similar international organisations.

4. Other institutional investors whose main activity is to invest in financial instruments, including entities dedicated to the securitisation of assets or other financing transactions.

The entities referred to above are considered to be professionals. They must however be allowed to request non-professional treatment and investment firms may agree to provide a higher level of protection. Where the client of an investment firm is an undertaking referred to above, the investment firm must inform it prior to any provision of services that, on the basis of the information available to the investment firm, the client is deemed to be a professional client, and will be treated as such unless the investment firm and the client agree otherwise. The investment firm must also inform the customer that he can request a variation of the terms of the agreement in order to secure a higher degree of protection.

It is the responsibility of the client, considered to be a professional client, to ask for a higher level of protection when it deems it is unable to properly assess or manage the risks involved.

This higher level of protection will be provided when a client who is considered to be a professional enters into a written agreement with the investment firm to the effect that it shall not be treated as a professional for the purposes of the applicable conduct of business regime. Such agreement shall specify whether this applies to one or more particular services or transactions, or to one or more types of product or transaction.

II. Clients who may be Treated as Professional on Request

II.1 Identification criteria

Clients other than those mentioned in section I, including public sector bodies, local public authorities, municipalities and private individual investors, may also be allowed to waive some of the protections afforded by the conduct of business rules.

Investment firms shall therefore be allowed to treat any of those clients as professionals provided the relevant criteria and procedure mentioned below are fulfilled. Those clients shall not, however, be presumed to possess market knowledge and experience comparable to that of the categories listed in Section I.

Any such waiver of the protection afforded by the standard conduct of business regime shall be considered to be valid only if an adequate assessment of the expertise, experience and knowledge of the client, undertaken by the investment firm, gives reasonable assurance, in light of the nature of the transactions or services envisaged, that the client is capable of making investment decisions and understanding the risks involved.

The fitness test applied to managers and directors of entities licensed under Directives in the financial field could be regarded as an example of the assessment of expertise and knowledge. In the case of small entities, the person subject to that assessment shall be the person authorised to carry out transactions on behalf of the entity.

In the course of that assessment, as a minimum, two of the following criteria shall be satisfied:

- the client has carried out transactions, in significant size, on the relevant market at an average frequency of 10 per quarter over the previous four quarters,
- the size of the client's financial instrument portfolio, defined as including cash deposits and financial instruments exceeds EUR 500 000,
- the client works or has worked in the financial sector for at least one year in a professional position, which requires knowledge of the transactions or services envisaged.

Member States may adopt specific criteria for the assessment of the expertise and knowledge of municipalities and local public authorities requesting to be treated as professional clients. Those criteria can be alternative or additional to those listed in the fifth paragraph.

II.2 Procedure

Those clients may waive the benefit of the detailed rules of conduct only where the following procedure is followed:

- they must state in writing to the investment firm that they wish to be treated as a professional client, either generally or in respect of a particular investment service or transaction, or type of transaction or product,
- the investment firm must give them a clear written warning of the protections and investor compensation rights they may lose,
- they must state in writing, in a separate document from the contract, that they are aware of the consequences of losing such protections.

Before deciding to accept any request for waiver, investment firms must be required to take all reasonable steps to ensure that the client requesting to be treated as a professional client meets the relevant requirements stated in Section II.1.

However, if clients have already been categorised as professionals under parameters and procedures similar to those referred to above, it is not intended that their relationships with investment firms shall be affected by any new rules adopted pursuant to this Annex.

Firms must implement appropriate written internal policies and procedures to categorise clients. Professional clients are responsible for keeping the investment firm informed about any change, which could affect their current categorisation. Should the investment firm become aware however that the client no longer fulfils the initial conditions, which made him eligible for a professional treatment, the investment firm shall take appropriate action.

B.11.2.2 BrokerTec Europe Limited – Application for Exemption from Recognition as an Exchange – Notice and Request for Comment

NOTICE AND REQUEST FOR COMMENT

APPLICATION BY
BROKERTEC EUROPE LIMITED
FOR EXEMPTION FROM RECOGNITION AS AN EXCHANGE

A. Introduction

This notice requests comment on:

(i) the application filed by BrokerTec Europe Limited (**BrokerTec**) under section 147 of the Securities Act (Ontario) (Act) for an exemption from the requirement to be recognized as an exchange contained in section 21 of the Act (**Recognition Requirement**), and from the requirements in National Instrument 21-101 *Marketplace Operation*, National Instrument 23-101 *Trading Rules* and National Instrument 23-103 *Electronic Trading and Direct Access to Marketplaces* (the **Marketplace Rules**); and

(ii) the draft order exempting BrokerTec from the Recognition Requirement and the Marketplace Rules.

The application by BrokerTec for an order exempting it from the Recognition Requirement can be found on our website www.osc.ca.

Attached to this notice is a draft exemption order.

B. Application and Draft Exemption Order

As the operator of the BrokerTec EU MTF and the EBS UK MTF, the Applicant filed the application under section 147 of the Act for an exemption from the Recognition Requirement and from the requirements in the Marketplace Rules in connection with its offering to participants located in Ontario trading in (i) repurchase agreements collateralized by United Kingdom (**UK**) gilts and UK covered bonds, Australian government bonds and corporate bonds on the BrokerTec EU MTF, and (ii) foreign exchange non-deliverable forwards on the EBS UK MTF. The application describes the Applicant's services to participants located in Ontario and its background and operations, and includes submissions from the Applicant for why the exemption order should be granted.

In its application, the Applicant has outlined how it meets the criteria for exemption from the Recognition Requirement. The specific criteria can be found in Appendix I to Schedule "A" of the draft exemption order. Subject to comments received, Staff intends to recommend that the Commission grant the exemption order with terms and conditions based on the draft exemption order.

C. Comment Process

The Commission is publishing for public comment the application and draft exemption order for 30 days. We are seeking comment on all aspects of the application and draft exemption order.

Please provide your comments in writing, via e-mail, on or before **November 21, 2022**, to the attention of:

Ontario Securities Commission
20 Queen Street West,
22nd Floor
Toronto, Ontario
M5H 3S8
Email: comments@osc.gov.on.ca

The confidentiality of submissions cannot be maintained as the comment letters and a summary of written comments received during the comment period will be published.

Questions may be referred to:

Timothy Baikie
Senior Legal Counsel, Market Regulation
Email: tbaikie@osc.gov.on.ca

Alina Bazavan
Market Specialist, Market Regulation
Email: abazavan@osc.gov.on.ca

Alison Beer
Senior Legal Counsel, Derivatives
Email: abeer@osc.gov.on.ca

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

AND

IN THE MATTER OF
BROKERTEC EUROPE LIMITED

ORDER
(Section 147 of the Act)

WHEREAS BrokerTec Europe Limited (**Applicant**) has filed an application dated October 20, 2022 (**Application**) with the Ontario Securities Commission (**Commission**) requesting an order for the following relief (collectively, the **Requested Relief**):

(a) exempting the Applicant from the requirement to be recognized as an exchange under subsection 21(1) of the Act pursuant to section 147 of the Act; and

(b) exempting the Applicant from the requirements in National Instrument 21-101 *Marketplace Operation* (**NI 21-101**) pursuant to section 15.1 of NI 21-101, the requirements of National Instrument 23-101 *Trading Rules* (**NI 23-101**) pursuant to section 12.1 of NI 23-101 and the requirements of National Instrument 23-103 *Electronic Trading and Direct Electronic Access to Marketplaces* (**NI 23-103**) pursuant to section 10 of NI 23-103;

AND WHEREAS the Applicant has represented to the Commission that:

1. The Applicant is a private limited company organized under the laws of England & Wales. The ultimate parent company of the Applicant is CME Group Inc. (**CME Group**), a publicly traded for-profit corporation organized under the laws of Delaware and listed for trading on the NASDAQ National Market;

2. CME Group provides electronic trading globally in futures, options, cash and over-the-counter markets and also offers clearing and settlement services across asset classes, and is the parent company of the four CME Group Exchanges: Chicago Mercantile Exchange Inc., Board of Trade of the City of Chicago, Inc., New York Mercantile Exchange, Inc., and Commodity Exchange, Inc., and the cash markets businesses of EBS (for FX) and BrokerTec (for fixed income), of which the Applicant forms a part;

3. CME Group acquired NEX Group plc and its group companies, including the Applicant, on November 2, 2018;

4. On December 1, 2001, the U.K. Financial Conduct Authority (the **FCA** or **Foreign Regulator**), a financial regulatory body in the United Kingdom (**U.K.**), authorized the Applicant to act as the operator of the BrokerTec EU MTF, a multilateral trading facility (**MTF**). The Applicant currently has approval from the FCA to offer the following products for trading on the BrokerTec EU MTF: certificates representing certain security; commodity futures; commodity options and options on commodity futures; contracts for differences (excluding a spread bet and, a rolling spot forex contract and a binary bet); debentures; futures (excluding a commodity future and a rolling spot forex contract); government and public securities; options (excluding a commodity option and an option on a commodity future); rights to or interests in investments (contractually based investments); rights to or interests in investments (security); units; and warrants;

5. The Applicant received approval from the FCA on July 15, 2022 to operate the EBS UK MTF, a separate MTF for trading foreign exchange (**FX**) over-the-counter (**OTC**) derivatives and the EBS UK MTF began operations on September 12, 2022 (each of the BrokerTec EU MTF and the EBS UK MTF are hereinafter referred to as a **Facility**, and together as the **Facilities**);

6. The subjects of this order are the Facilities, which trade: (a) for the Brokertec EU MTF: repurchase agreements collateralized by U.K. gilts and U.K. covered bonds (**Gilt Repos**), repurchase agreements collateralized by Australian government bonds (**Australian Repos**), and repurchase agreements collateralized by corporate bonds (**Corporates**); and (b) for the EBS UK MTF: FX non-deliverable forwards (**FX NDFs,** and together with Gilt Repos, Australian Repos and Corporates, the **MTF Instruments**). The Applicant may add other types of financial instruments in the future, subject to obtaining the required regulatory approvals;

7. Each of the Facilities support a central limit order book, known as BrokerTec CLOB and EBS Market. Additionally, the BrokerTec EU MTF supports a request-for-quote trading platform, known as BrokerTec Quote;

8. The Applicant is subject to regulatory supervision by the FCA and is required to comply with the FCA's Handbook (**FCA Rules**), which includes, among other things, rules on (a) the conduct of business (including rules regarding client categorization, communication with clients and other investor protections and client agreements), (b) market conduct

(including rules applicable to firms operating an MTF), and (c) systems and controls (including rules on outsourcing, governance, record-keeping and conflicts of interest). The FCA requires the Applicant to comply at all times with a set of threshold conditions for authorization, including requirements that the Applicant has sound business and controlled business operations and that it has appropriate resources for the activities it carries on. The Applicant is subject to prudential regulation, including minimum regulatory capital requirements, and is capitalized in excess of regulatory requirements. The Applicant is required to maintain an independent compliance function, which is headed by the Applicant's Chief Compliance Officer, an FCA-approved person. The Applicant's Compliance Department is responsible for identifying, assessing, advising, monitoring and reporting on the Applicant's compliance risk (i.e., the risk that the Applicant fails to comply with its obligations under the Financial Services and Markets Act 2000, the retained EU law version of the Markets in Financial Instruments Regulation (600/2014), the rules pertaining to this legislation, the applicable guidance from the FCA and the FCA Rules);

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

10. BrokerTec CLOB and EBS Market are available to participants via CME Group's Globex technology, which can be accessed through a graphical user interface (GUI) or Financial Information eXchange application programming interface (FIX). BrokerTec Quote is available to participants via a technology platform provided by an external vendor, Adaptive Financial Consulting Limited, which can also be accessed via a web delivered GUI or FIX;

11. An MTF must submit all trades that are required to be cleared to a clearing house for clearing. The Applicant provides direct connectivity to LCH Limited, which is recognized as a clearing agency in Ontario, to clear Gilt Repos. The Applicant is not involved in, nor is it responsible for, settlement or clearing of Australian Repos, Corporates or FX NDFs and the counterparties to such trades make their own bilateral arrangements;

12. The Applicant requires that its participants be "professional clients" or "eligible counterparties," as defined by the FCA in COBS 3 of the FCA Rules and are investment firms or credit institutions (each as defined in the FCA Rules) or other persons who (a) are of sufficiently good repute, (b) have a sufficient level of trading ability, competence and experience; and (c) have sufficient resources for their role as a participant. Each prospective participant must: have the legal and regulatory capacity to undertake trading in the relevant MTF Instruments on a Facility, satisfy the Applicant as to their adequate arrangements for entering into transactions in the MTF Instruments, order management, clearing (if relevant) and settlement of all orders submitted to the Facilities, have adequate organisational procedures and controls to limit error trades and the submission of erroneous orders to the Facilities, including, but not limited to, the operation of a kill functionality, meet the technical specifications and standards required by the Applicant for participation on the Facilities, including for those participants accessing the Facilities via an API, and satisfy any participant eligibility criteria set out in the Facilities' rulebooks, including any applicable product appendix;

13. Additionally, participants on the Facilities are responsible for all the acts, omissions, conduct and activity of their authorised employees and must ensure that their authorised employees have sufficient training, are properly supervised and have adequate experience, knowledge and competence to participate on the Facilities in accordance with the Applicant's customer agreements and the Applicant's rules;

14. All participants that are located in Ontario, including participants with their headquarters or legal address in Ontario (e.g., as indicated by a participant's Legal Entity Identifier (LEI)) and all traders conducting transactions on its behalf, regardless of the traders' physical location (inclusive of non-Ontario branches of Ontario legal entities), as well as any trader physically located in Ontario who conducts transactions on behalf of any other entity (**Ontario Participants**) are required to be registered under Ontario securities laws, exempt from registration or not subject to registration requirements. An Ontario Participant is required to immediately notify the Applicant if it ceases to meet any of the above criteria represented by it on an ongoing basis. Additionally, all Ontario Participants will be "permitted clients" as that term is defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*;

15. Because the Facilities set requirements for the conduct of their participants and surveil the trading activity of their participants, they are considered by the Commission to be exchanges;

16. Because the Applicant has participants that are Ontario Participants, it is considered by the Commission to be carrying on business as an exchange in Ontario and is required to be recognized as such or exempted from recognition pursuant to section 21 of the Act;

17. The Applicant has no physical presence in Ontario and does not otherwise carry on business in Ontario except as described above; and

18. The Applicant satisfies the exemption criteria as described in Appendix I to Schedule "A";

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

AND WHEREAS the Commission will monitor developments in international and domestic capital markets and the Applicant's activities on an ongoing basis to determine whether it is appropriate for the Requested Relief to continue to be granted subject to the terms and conditions set out in Schedule "A" to this order;

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

AND WHEREAS based on the Application, together with the representations made by and acknowledgments of the Applicant to the Commission, the Commission has determined that the Applicant satisfies the criteria set out in Appendix I to Schedule "A" and that the granting of the Requested Relief would not be prejudicial to the public interest;

IT IS HEREBY ORDERED by the Commission that, (i) pursuant to section 147 of the Act, the Applicant is exempt from recognition as an exchange under subsection 21(1) of the Act, and (ii) pursuant to sections 15.1 of NI 21-101, 12.1 of NI 23-101 and 10 of NI 23-103, the Applicant is exempt from the requirements in NI 21-101, NI 23-101 and NI 23-103,

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

DATED ●

SCHEDULE "A"

TERMS AND CONDITIONS

Meeting Criteria for Exemption

1. The Applicant will continue to meet the criteria for exemption included in Appendix I to this Schedule.

Regulation and Oversight of the Applicant

2. The Applicant will maintain its authorisations as an operator of one or more multilateral trading facilities (**MTFs**) with the U.K. Financial Conduct Authority (**FCA**) in the United Kingdom (**U.K.**) and will continue to be subject to the regulatory oversight of the FCA.

3. The Applicant will continue to comply with the ongoing requirements applicable to it as an operator of an MTF authorised with the FCA.

4. The Applicant will promptly notify the Commission if its authorisation as an operator of an MTF has been revoked, suspended, or amended by the FCA, or the basis on which its authorisation as an operator of an MTF has been granted has significantly changed.

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

Access

6. The Applicant will not provide direct access to a participant in Ontario including a participant with its headquarters or legal address in Ontario (e.g., as indicated by a participant's Legal Entity Identifier (LEI)) and all traders conducting transactions on its behalf, regardless of the traders' physical location (inclusive of non-Ontario branches of Ontario legal entities), as well as any trader physically located in Ontario who conducts transactions on behalf of any other entity (**Ontario User**) unless the Ontario User is appropriately registered as applicable under Ontario securities laws or is exempt from or not subject to those requirements, and qualifies as a "professional client" or an "eligible counterparty", as defined by the FCA in COBS 3 of the FCA's Handbook.

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

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

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

Trading by Ontario Users

10. The Applicant will not provide access to an Ontario User to trading in products other than derivatives or debt securities, each as defined in subsection 1(1) of the Act, without prior Commission approval.

11. With respect to debt securities, the Applicant will only permit Ontario Users to trade a debt security that is a foreign security or a debt security that is denominated in a currency other than the Canadian dollar as such terms are defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*, including:

    (a) debt securities issued by the United States (**U.S.**) government (including agencies or instrumentalities thereof);

    (b) debt securities issued by a foreign government;

    (c) debt securities issued by corporate or other non-governmental issuers (U.S. and foreign); and

(d) asset-backed securities (including mortgage backed securities), denominated in either U.S. or foreign currencies.

12. The Applicant will only permit Ontario Users to trade those securities which are permitted to be traded in the U.K. under applicable securities laws and regulations.

Submission to Jurisdiction and Agent for Service

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

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

Prompt Reporting

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

(a) any authorization to carry on business granted by the FCA is revoked or suspended or made subject to terms or conditions on the Applicant's operations;

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

(c) a receiver is appointed for the Applicant or the Applicant makes any voluntary arrangement with creditors;

(d) the Applicant marketplace is not in compliance with this Order or with any applicable requirements, laws or regulations of the FCA where it is required to report such non-compliance to the FCA;

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

(f) the Applicant makes any material change to the eligibility criteria for Ontario Users.

Semi-Annual Reporting

16. The Applicant will maintain the following updated information and submit such information in a manner and form acceptable to the Commission on a semi-annual basis (by July 31 for the first half of the calendar year and by January 31 of the follow year for the second half), and at any time promptly upon the request of staff of the Commission:

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

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

(c) a list of all Ontario Users whom the Applicant has referred to the FCA, or, to the best of the Applicant's knowledge, whom have been disciplined by the FCA with respect to such Ontario Users' activities on the Applicant's MTFs and the aggregate number of all participants referred to the FCA since the previous report by the Applicant;

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

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

(f) for each product,

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

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

provided in the required format.

Information Sharing

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

APPENDIX I

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

PART 1 REGULATION OF THE EXCHANGE

1.1 Regulation of the Exchange

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

1.2 Authority of the Foreign Regulator

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

PART 2 GOVERNANCE

2.1 Governance

The governance structure and governance arrangements of the exchange ensure:

(a) effective oversight of the exchange,

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

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

  (i) appropriate representation of independent directors, and

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

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

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

2.2 Fitness

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

PART 3 REGULATION OF PRODUCTS

3.1 Review and Approval of Products

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

3.2 Product Specifications

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

3.3 Risks Associated with Trading Products

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

PART 4 ACCESS

4.1 Fair Access

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

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

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

(iii) systems users are adequately supervised.

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

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

(d) The exchange does not

(i) permit unreasonable discrimination among participants, or

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

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

PART 5 REGULATION OF PARTICIPANTS ON THE EXCHANGE

5.1 Regulation

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

PART 6 RULEMAKING

6.1 Purpose of Rules

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

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

(i) ensure compliance with applicable legislation,

(ii) prevent fraudulent and manipulative acts and practices,

(iii) promote just and equitable principles of trade,

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

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

(vi) ensure a fair and orderly market.

PART 7 DUE PROCESS

7.1 Due Process

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

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

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

PART 8 CLEARING AND SETTLEMENT

8.1 Clearing Arrangements

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

8.2 Risk Management of Clearing House

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

PART 9 SYSTEMS AND TECHNOLOGY

9.1 Systems and Technology

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

(a) order entry,

(b) order routing,

(c) execution,

(d) trade reporting,

(e) trade comparison,

(f) data feeds,

(g) market surveillance,

(h) trade clearing, and

(i) financial reporting.

9.2 System Capability/Scalability

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

(a) makes reasonable current and future capacity estimates;

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

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

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

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

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

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

9.3 Information Technology Risk Management Procedures

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

PART 10 FINANCIAL VIABILITY

10.1 Financial Viability

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

PART 11 TRADING PRACTICES

11.1 Trading Practices

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

11.2 Orders

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

11.3 Transparency

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

PART 12 COMPLIANCE, SURVEILLANCE AND ENFORCEMENT

12.1 Jurisdiction

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

12.2 Member and Market Regulation

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

12.3 Availability of Information to Regulators

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

PART 13 RECORD KEEPING

13.1 Record Keeping

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

PART 14 OUTSOURCING

14.1 Outsourcing

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

PART 15 FEES

15.1 Fees

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

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

PART 16 INFORMATION SHARING AND OVERSIGHT ARRANGEMENTS

16.1 Information Sharing and Regulatory Cooperation

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

16.2 Oversight Arrangements

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

PART 17 IOSCO PRINCIPLES

17.1 IOSCO Principles

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

APPENDIX II

DEFINITION OF PROFESSIONAL CLIENTS

This Appendix II provides the definition of an "Eligible Counterparty" and a "Professional Client," as defined by the FCA in COBS 3 of the FCA Rules.

DEFINITION OF ELIGIBLE COUNTERPARTIES

Eligible counterparties are considered to be the most sophisticated investor or capital market participant. Consequently, the client categorisation regime provides a "light-touch" regulatory regime for investment firms that enter into, or bring about, transactions with eligible counterparties in relation to eligible counterparty business.

There are two types of eligible counterparty:

- Per se eligible counterparty.
- Elective eligible counterparty.

Generally, the eligible counterparty regime will only apply where investment firms enter into transactions with an eligible counterparty in the course of carrying out eligible counterparty business. This involves the following activities:

- Executing orders on behalf of customers.
- Dealing on own account.
- Reviewing and transmitting orders.

Eligible counterparty business also includes any ancillary service directly related to the above list, or arranging in relation to business that is not MiFID or equivalent third country firm business.

The following entities can be categorised as eligible counterparties for the purposes of the FCA rules: a properly constituted government of any country, a central bank or other national monetary authority of any country and a recognised investment exchange, regulated market or clearing house.

I. Categorises of Clients who are Considered to be Eligible Counterparties

Firms that are automatically treated as eligible counterparties are referred to as per se eligible counterparties.

The following may be categorised as a per se eligible counterparty (including an entity that is not from the UK that is equivalent to any of the below):

- An investment firm.
- A credit institution.
- An insurance company.
- A CIS authorised under the UK provisions that implemented the UCITS Directive (2009/65/EC), or its management company.
- A pension fund or its management company.
- Another financial institution authorised or regulated under UK legislation. This includes regulated institutions in the securities, banking and insurance sectors.
- A national government or its corresponding office, including a public body that deals with the public debt.
- A central bank.
- A supranational organisation.

II. Clients who may be Treated as Eligible Counterparties on Request

A per se professional client may, in certain circumstances, be opted up to be an elective eligible counterparty.

DEFINITION OF PROFESSIONAL CLIENTS

Professional clients are considered to possess the experience, knowledge and expertise to make their own investment decisions and assess the risks inherent in their decisions. There are two types of professional client:

- Per se professional client.
- Elective professional client.

I. Categorises of Clients who are Considered to be Professionals

MiFID recognises certain persons as having the relevant requirements for a professional client and automatically classifies them as per se professional clients. Each of the following may be categorised as a per se professional client:

An entity required to be authorised or regulated (either in the UK or a third country) to operate in the financial markets. For example:

- a credit institution;
- an investment firm;
- any other authorised or regulated financial institution;
- an insurance company;
- a collective investment scheme (CIS) or the management company of such a scheme;
- a pension fund or the management company of a pension fund;
- a commodity or commodity derivatives dealer;
- a local authority; and
- any other institutional investor.

To confirm whether an entity is authorised in the UK, firms can check the financial services register on the FCA's website.

In relation to MiFID or equivalent third country business, a large undertaking meeting two of the following size requirements on a company basis:

- balance sheet total of EUR20 million;
- net turnover of EUR40 million; or
- own funds of EUR2 million;

In relation to business that is not MiFID business or equivalent third country business, a large undertaking meeting any of the following conditions:

- a body corporate (including a limited liability partnership) that has (or any of whose holding companies or subsidiaries has) (or has had at any time during the previous two years) called up share capital or net assets of at least £5 million (or its equivalent in any other currency at the relevant time);
- an undertaking that meets (or any of whose holding companies or subsidiaries meets) two of the following tests: a balance sheet total of EUR12.5 million, a net turnover of EUR25 million or an average number of employees during the year of 250;
- a partnership or unincorporated association that has (or has had at any time during the previous two years) net assets of at least £5 million (or its equivalent in any other currency at the relevant time) and calculated in the case of a limited partnership without deducting loans owing to any of the partners;
- a trustee of a trust (other than an occupational pension scheme, small self-administered scheme (SSAS), personal pension scheme or stakeholder pension scheme) that has (or has had at any time during the previous two years) assets of at least £10 million (or its equivalent in any other currency at the relevant time) calculated by aggregating the value of the case and designated investment forming part of the trust's assets, but before deducting its liabilities; or

- a trustee of an occupational pension scheme or SSAS, or a trustee or operator of a personal pension scheme or stakeholder pension scheme where the scheme has (or has had at any time during the previous two years) at least 50 members, and assets under management of at least £10 million (or its equivalent in any other currency at the relevant time).

- A national or regional government, a public body that manages public debt, a central bank, an international or supranational institution (such as the World Bank, the International Monetary Fund (IMF), the European Central Bank (ECB)) or other similar international organisations.

- Another institutional investor whose main activity is to invest in financial instruments (in relation to the firm's MiFID or equivalent third country business) or designated investments (in relation to the firm's other business). This includes entities dedicated to the securitisation of assets or other financing transactions.

A firm must categorise a local public authority or municipality that (in either case) does not manage public debt as a retail client, unless it is permitted to treat such a person as an elective professional client. Consequently, a local public authority or municipality that (in either case) does not manage public debt should not be treated as a per se professional client.

II. Clients who may be Treated as Professional on Request

Retail clients or eligible counterparties can request treatment as professional clients.

A firm may treat a client, other than a local public authority or municipality, as an elective professional client if:

- It undertakes an adequate assessment of the expertise, experience and knowledge of the client that gives reasonable assurance, in the light of the nature of the transactions or services envisaged, that the client is capable of making his own investment decisions and understanding the risks involved (referred to as the "qualitative test"). If the client is an entity, the qualitative test should be performed in relation to the person authorised to carry out transactions on its behalf (COBS 3.5.4R). In practice, a firm is likely to carry out the qualitative test as part of its client on-boarding process.

- In relation to MiFID or equivalent third country business, in the course of carrying out the qualitative test, at least two of the following criteria are satisfied:

    - the client has carried out transactions, in significant size, on the relevant market at an average frequency of 10 per quarter over the previous four quarters;

    - the size of the client's financial instrument portfolio, defined as including cash deposit and financial instruments, exceeds EUR500,000; and/or

    - the client works or has worked in the financial sector for at least one year in a professional position, that requires knowledge of the transactions or services envisaged.

- This is referred to as the "quantitative test".

- It can be hard for certain firms to meet the quantitative test. For example, a newly established firm may be unable to evidence the frequency at which it has carried out transactions if it has been in business for less than a year, or it may be difficult for a person to provide evidence of a professional position if in the industry concerned, there are not clear qualification requirements.

- In addition to the qualitative and quantitative tests, the following procedure must be followed:

    - the client must state in writing to the firm that it wishes to be treated as a professional client either generally or in respect of a particular service or transaction or type of transaction or product;

    - the firm must give the client a clear written warning of the protections and the investor compensation rights the client may lose; and

    - the client must state in writing, in a separate document from the contract, that it is aware of the consequences of losing such protections

B.11.3 Clearing Agencies

B.11.3.1 Canadian Derivatives Clearing Corporation (CDCC) – Proposed Amendments to Rule C-18 and Section 6.6 of the Operations Manual of the CDCC to Modify the Delivery Period of the 30-Year Government of Canada Bond Future Contracts (LGB)

CANADIAN DERIVATIVES CLEARING CORPORATION (CDCC)

NOTICE OF COMMISSION APPROVAL

PROPOSED AMENDMENTS TO
RULE C-18 AND SECTION 6.6 OF THE OPERATIONS MANUAL OF THE CDCC
TO MODIFY THE DELIVERY PERIOD OF
THE 30-YEAR GOVERNMENT OF CANADA BOND FUTURE CONTRACTS (LGB)

In accordance with the Rule Protocol between the Ontario Securities Commission (Commission) and the Canadian Derivatives Clearing Corporation (CDCC), the Commission approved on October 24, 2022 the amendments to Rule C-18 and Section 6.6 of the Operations Manual of the CDCC to modify the delivery period of the 30-year Government of Canada Bond Future Contracts (LGB).

A copy of the CDCC Notice was published for comment on August 18, 2022 on the Commission's website at www.osc.ca.

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Editor's Note: On Friday, April 29, 2022, the Securities Commission Act, 2021, came into force by proclamation of the Lieutenant Governor of Ontario. The new structural and governance changes are now reflected in the Bulletin index with the use of the "Capital Markets Tribunal" designation to differentiate those proceedings from the proceedings of the Ontario Securities Commission: www.capitalmarketstribunal.ca.

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