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Notices

1.1 Notices

1.1.1 OSC Staff Notice 33-750 Compliance and Registrant Regulation – Summary Report for Dealers, Advisers and Investment Fund Managers

OSC Staff Notice 33-750 *Compliance and Registrant Regulation – Summary Report for Dealers, Advisers and Investment Fund Managers* is reproduced on the following separately numbered pages. Bulletin pagination resumes at the end of the Staff Notice.

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OSC

ONTARIO SECURITIES COMMISSION

Summary Report for Dealers, Advisers and Investment Fund Managers

Compliance and Registrant Regulation

OSC Staff Notice 33-750

August 8, 2019

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Director's message

We are happy to publish this year's Summary Report for Dealers, Advisers and Investment Fund Managers (**Summary Report**) that provides an overview of our work during the 2018-2019 fiscal year.

In addition to the work set out in this year's Summary Report, the Compliance and Registrant Regulation Branch (**CRR**) is actively engaged in the Ontario Securities Commission's new Burden Reduction Task Force. We understand the frustration of duplicative, unclear or inconsistent requirements and are moving as an organization to tackle these issues. Through the Burden Reduction initiative, we are evaluating stakeholder comments to identify areas that CRR can focus on to reduce burden. It's important that compliance with our requirements is not unduly burdensome and does not stand in the way of economic growth and innovation.

As an operational branch, we monitor and consistently meet our service standards for registration and exemptive relief applications. The service standards apply to routine applications and the clock starts ticking once we receive a complete application. However, applications that are incomplete or raise novel matters may take longer than the expressed service standards. We will continue to respond as promptly as feasible and assist our registered firms and individuals (collectively, **registrants**) wherever possible.

While we strive for strong and open lines of communication with registrants, we heard that you want a contact person to call who is familiar with your type of business. We continue to provide a contact list with the names and phone numbers of all CRR team members. This year we've also provided information to clarify our CRR team structure which is focused on each of our primary direct registrant categories. If you have a question, comment or want to discuss regulatory policy, compliance practices, registration processes or any matter impacting your business model, you'll have the tools to know who to contact!

We continue to update our Registrant Outreach program which includes educational seminars, the Topical Guide for Registrants and a listing of Director's Decisions by topic and year.

This year, our compliance reviews will focus on the following areas:

- suitability assessments, including concentration and prospectus exemptions,
- firms that have recently acquired another firm to assess the compliance structure of the newly integrated firm,
- high-risk registrants that were identified through "Registration as the First Compliance Review" program, and
- high-impact and high-risk firms.

We continue to receive positive feedback from registrants on our Summary Report and are open to suggestions that would further enhance its usefulness for you. As always, we look forward to engaging with our registrants in the upcoming year.

Debra Foubert
Director, Compliance and
Registrant Regulation

Introduction

Who we are

The CRR Branch of the Ontario Securities Commission (**OSC**, the **Commission**) is responsible for the registration and ongoing regulation of firms and individuals who are in the business of trading in, or advising on, securities or commodity futures and firms that manage investment funds in Ontario. The OSC's mandate is to:

- provide protection to investors from unfair, improper or fraudulent practices,
- foster fair and efficient capital markets, and
- contribute to the stability of the financial system and the reduction of systemic risk.

CRR's activities are integral to the OSC's vision of being an effective and responsive securities regulator, fostering a culture of integrity and compliance and instilling investor confidence in the capital markets.

The purpose of this report

This Summary Report prepared by staff of the CRR Branch is designed to assist registrants with information on the following:

- **Education and outreach**
  Part 1 of this report provides links and information to the registration and ongoing educational resources and outreach opportunities available to current and prospective registrants.

- **Regulatory oversight activities and guidance**
  Part 2 of this report can be used by registrants as a self-assessment tool to strengthen compliance with Ontario securities law and, as appropriate, to make changes to enhance their systems of compliance, internal controls and supervision.

- **Impact of upcoming initiatives**
  Part 3 of this report provides insights into some of the new and proposed rules and other regulatory initiatives that may impact a registrant's operations.

- **Registrant conduct activities**
  Part 4 of this report is intended to enhance a registrant's understanding of our expectations and our interpretation of regulatory requirements. This section also provides insight into the types of regulatory actions the CRR Branch may take to address non-compliance.

Structure

The following page sets out the organizational structure of the CRR Branch. We encourage registrants to reach out to staff with any inquiries they may have. Contact information for directors, managers and staff within the branch can be found in the Staff directory presented at the end of this report.

DEBRA FOUBERT
DIRECTOR

416-593-8101

FELICIA TEDESCO
DEPUTY DIRECTOR
OPERATIONS

416-593-8273

ELIZABETH TOPP
MANAGER
PORTFOLIO MANAGER TEAM

416-593-2377

VERA NUNES
MANAGER
INVESTMENT FUND MANAGER TEAM

416-593-2311

DENA STAIKOS
MANAGER
DEALER TEAM

416-593-8058

The Operations Unit is comprised of three teams of lawyers and accountants and is responsible for conducting compliance field reviews and reviewing applications for exemptive relief.

The members of this unit also act as subject matter experts in support of registration files.

If you have compliance questions, please contact the managers, based on your registration category, as follows:

- Portfolio Managers
  - Elizabeth
- Investment Fund Managers
  - Vera
- Exempt Market or Scholarship Plan Dealers
  - Dena

ELIZABETH KING
DEPUTY DIRECTOR
REGISTRANT CONDUCT

416-204-8951

MICHAEL DENYSZYN
MANAGER
REGISTRANT CONDUCT

416-595-8775

The Registrant Conduct Team handles files referred from other CRR teams and other OSC branches for matters that require further regulatory action to remediate registrant misconduct.

Registrant misconduct may be addressed by applying terms and conditions to registration, suspension of registration, or being referred to the Enforcement branch.

If you have conduct matter questions, please contact Mike.

JEFF SCANLON
MANAGER
REGISTRATION

416-597-7239

The Registration Team focuses on the initial and ongoing registration of firms and individuals. The team also performs financial analysis of registrants' interim and annual financial statements and capital calculations. This team is also responsible for processing registration-related applications for exemptive relief.

If you have registration-related questions, please contact Jeff.

PAT CHAUKOS
DEPUTY DIRECTOR
LAUNCHPAD & POLICY

416-593-2373

The LaunchPad & Policy Unit is responsible for:

- providing assistance to novel online and fintech businesses as they navigate the regulatory requirements, and
- coordinating the policy initiatives for CRR.

If you have LaunchPad-related questions, please contact Pat.

LOUISE BRINKMANN
MANAGER
DATA STRATEGY & RISK

416-596-4263

The Data Strategy & Risk Team is responsible for supporting the branch's data requirements, conducting data analytics, and leading the business planning process.

This team also maintains CRR's risk register, conducts risk analysis and coordinates all branch reporting.

If you have questions about CRR's data, reporting or risk operations, please contact Louise.

Advisory committees

Established in January 2013, the Registrant Advisory Committee (**RAC**) is currently comprised of 11 external members. The RAC's objectives include:

- advising on issues and challenges faced by registrants in interpreting and complying with Ontario securities law, including matters related to registration and compliance, and
- providing feedback on the development and implementation of policy and rule-making initiatives that promote investor protection and fair and efficient capital markets.

The RAC meets quarterly, with members serving a minimum two-year term and is chaired by Debra Foubert. Topics of discussion over the past fiscal year included:

- the OSC's whistleblower initiative,
- CSA Staff Notice 61-303 and Request for Comment *Soliciting Dealer Arrangements*,
- CSA Staff Notice 23-320 *Consideration of the Markets in Financial Instruments Directive (MiFID II) Unbundling Requirements on the Regulatory Requirements in Canada*,
- MFDA Bulletin #0748-P *Discussion Paper on Expanding Cost Reporting*,
- sales practices and the OSC's recent enforcement proceedings, and
- regulatory burden reduction and the cost of compliance.

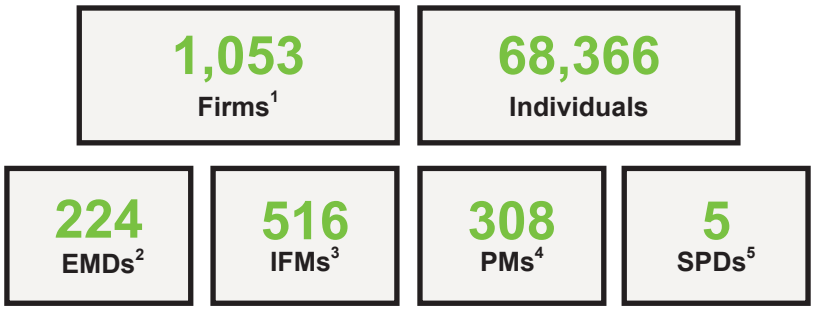
The Fintech Advisory Committee (**FAC**) was established in 2017 to advise OSC staff on developments in the fintech space as well as the unique challenges faced by innovation businesses. The current FAC includes key players from a broad spectrum of the fintech community, ranging from start-ups, auditors, lawyers, and representatives from regulated entities and industry organizations.

The FAC meets quarterly, with members serving a minimum one-year term and is chaired by Pat Chaukos. Topics of discussion over the past fiscal year included:

- investment limits,
- crypto-asset trading platforms and custody of client assets,
- resale of coins/tokens,
- open data, and
- artificial intelligence in financial services.

Who this report is relevant to

This Summary Report provides information for registrants that are directly regulated by the OSC. These registrants primarily include exempt market dealers (**EMDs**), investment fund managers (**IFMs**), portfolio managers (**PMs**) and scholarship plan dealers (**SPDs**). At present, registrants overseen by the OSC include:



[1] This number excludes firms registered as mutual fund dealers or firms registered solely in the category of investment dealer or other registration categories (commodity trading manager, futures commission merchant, restricted PM, and restricted dealer).

[2] This number includes firms registered as sole EMDs.

[3] This number includes firms registered as sole IFMs and IFMs also registered in other registration categories.

[4] This number includes firms registered as sole PMs and PMs also registered as EMDs, and in other registration categories.

[5] This number includes firms registered as sole SPDs and SPDs also registered as IFMs.

In general, firms must register with the OSC if they conduct any of the following activities in Ontario:

- are in the business of trading in, or advising on, securities (this is referred to as the "business trigger" for registration),
- act as an underwriter or as an IFM, or
- conduct trading and advising activities involving commodity futures contracts or commodity futures options.

Individuals must register if they trade, advise or underwrite on behalf of a registered dealer or adviser, or act as the Ultimate Designated Person (**UDP**) or Chief Compliance Officer (**CCO**) of a registered firm.

There are seven dealer and adviser categories for firms trading in or advising on securities, or acting as an underwriter, as applicable:

- EMD,
- SPD,
- restricted dealer,
- PM,
- restricted portfolio manager,
- investment dealer (**ID**), who must be members of the Investment Industry Regulatory Organization of Canada (**IIROC**), and
- mutual fund dealer (**MFD**), who must, except in Quebec, be members of the Mutual Fund Dealers Association of Canada (**MFDA**).

There are four dealer and adviser categories for firms trading in or advising on commodity futures:

- commodity trading adviser,
- commodity trading counsel,
- commodity trading manager, and
- futures commission merchant.

There is a separate category for firms that direct the business, operations, or affairs of investment funds:

- IFM.

The OSC also registers firms and individuals in the category of MFD and dealing representatives, and firms in the category of ID; however, these firms and their registered individuals are directly overseen by the self-regulatory organizations (**SROs**): the MFDA and IIROC, respectively. Although this report focuses primarily on registered firms and individuals directly overseen by the OSC, firms directly overseen by the SROs should review Part 2 of the Summary Report as certain information is applicable to them as well.

Applications for registration are reviewed by CRR staff, nonetheless, we remind firms seeking registration in the category of ID, MFD or futures commission merchant to also apply separately for membership with the relevant SRO.

Service standards

The CRR Branch is committed to accountability and transparency and to ensuring services are delivered in the most efficient and effective ways possible. For information about CRR's service standards and timelines, refer to the **OSC Service Commitment** webpage.

Part 1 OUTREACH

1.1 Outreach program and resources

Registrant Outreach since inception

62
In-person and webinar seminars held

5,117
Web replays viewed

12,529
Individuals that have attended outreach sessions

>10,000
Topical Guide for Registrants - page views annually

We continue to interact with our stakeholders through our Registrant Outreach program, which was launched in 2013. The objectives of our Registrant Outreach program are to strengthen communication with Ontario registrants that we directly regulate and with other industry participants (such as lawyers and compliance consultants), to promote stronger compliance practices and to enhance investor protection.

Interested in attending an upcoming Registrant Outreach seminar?
Click here for our calendar of upcoming events.

Looking for information about regulation matters?
Take a look at our Registrant Outreach webpage or our Topical Guide for Registrants for help with key compliance issues and policy initiatives.

Want to be informed about newly released guidance?
Register to receive our e-mail blasts here.

Looking for a listing of recent e-mail blasts and links to each?
Refer to the OSC Compliance Reports, Staff Notices & E-mail blasts webpage.

Interested in reading previously published Director's Decisions?
Refer to the Director's Decisions webpage.

If you have questions related to the Registrant Outreach program or have suggestions for seminar topics, please send an e-mail to RegistrantOutreach@osc.gov.on.ca.

1.2 Registration

National Registration Database access best practices for Authorized Firm Representatives

In January 2019, the Canadian Securities Administrators (**CSA**) sent the Authorized Firm Representative (**AFR**) Account Management Best Practices Checklist (the **AFR Guide**) to each firm's Chief Authorized Firm Representative (**CAFR**).

The AFR Guide is designed to help firms better manage and protect the data of firms and individuals maintained in the National Registration Database (**NRD**).

The security of the data contained in NRD is paramount. The CSA conducts regular reviews of NRD to ensure that necessary protections and controls are in place to safeguard the data. The CSA also uses industry-recognized security services to monitor and protect NRD and the data contained in the system from malicious activity.

Despite the safeguards in place at the system level, the failure of a firm to adequately manage its users' access to NRD can lead to the unauthorized modification, destruction, or disclosure of firm or individual specific information contained in NRD.

The AFR Guide was prepared by the CSA based on ISO 27002 best practices for information technology. Although firms are expected to have their own security policies and procedures already in place, the CSA recommends that firms review their existing internal processes and controls against these best practices.

For more information, please refer to the **AFR Guide**.

Data analytics and Natural Language Processing

The CRR Branch uses a variety of data analytics, text mining and reporting tools to assist with the review of various filings and other documents. For example, we use Natural Language Processing (**NLP**) to sift through filings and comment letters to discover common themes. We also use NLP to determine overall sentiment and assess the tonality of comments. These tools and techniques allow us to map and gain insights about the registrant population, including trends and risks.

As we gain more experience with these tools, we expect that our data strategy will further enhance our evidence-based decision making and allow us to work more efficiently. By combining data and connecting the dots, we will be able to use data analytics to achieve appropriate regulatory outcomes and also aid in reducing regulatory burden. In terms of regulatory burden, we know that filers want to "tell the regulator once", and that filers would appreciate receiving forms that have some data pre-populated. To be responsive, we are trying to identify situations where this might be possible, as part of our regulatory burden reduction plan.

1.3 OSC LaunchPad

Modernizing regulation to support fintech innovation

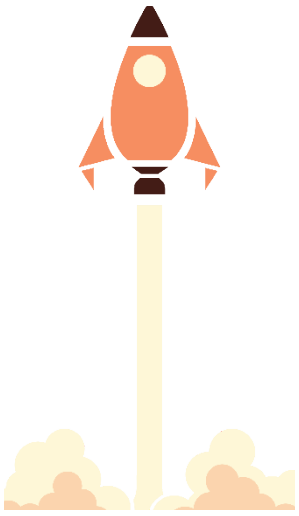
OSC LaunchPad seeks to support the development of innovative financial business models by deepening engagement with novel fintech businesses and creating flexible, timely and proportionate regulatory approaches.

OSC LaunchPad is comprised of a core team that is exclusively focused on fintech and an extended team representing the various branches at the OSC. Drawing on the expertise across the OSC, we have developed specialized working groups to consider novel issues and respond quickly to emerging developments. The work of the OSC LaunchPad team focuses on three main areas:

Engaging with the fintech community	Providing direct support to eligible fintech businesses in navigating regulatory requirements	Taking learnings and applying them to similar businesses going forward

OSC LaunchPad's Direct Support Process

Our direct support process provides an opportunity for firms to discuss their business and proposed approaches as well as raise questions. We are interested in hearing from businesses that meet the following criteria:



- ✔ You are a fintech business that has not yet started operations or is in the process of applying to the OSC for registration or exemptive relief.
- ✔ You have a new innovation or significantly different product, service or application from those currently available.
- ✔ Your innovation will likely provide identifiable benefits to investors.
- ✔ You understand the necessity of investor protections and will invest time and energy in understanding and addressing them.
- ✔ You acknowledge the application of securities laws and have considered how it applies to your business.

For more information on how to apply for direct support, please visit OSC LaunchPad's webpage.

OSC LAUNCHPAD

Key accomplishments of OSC LaunchPad to date

369	Meetings held with fintech businesses and stakeholders
230	Requests for support received and direct support provided to fintech businesses
136	Events that OSC LaunchPad has participated in or hosted
32	Collaborative reviews with the CSA Regulatory Sandbox of novel businesses that want to operate across Canada

Emerging trends

Over the past year, despite the decline in value of crypto assets, the industry focus has continued to be on crypto-asset related businesses, including crypto-asset investment funds, initial coin/token offerings and crypto-asset trading platforms.

Auditors and crypto-asset custodians have critical roles to play in the crypto-asset ecosystem with respect to the safeguarding of crypto assets. We have heard from businesses that are developing crypto-asset custody solutions that they are experiencing challenges with obtaining audit reports, which provide assurance on the operating effectiveness of custody solutions. Other crypto-asset related businesses have also indicated that they are experiencing challenges in obtaining audited financial statements and audited options with respect to crypto assets. We have engaged in discussions with audit firms and custodians to better understand these challenges.

Other emerging industry trends include RegTech services (technology-facilitated regulatory compliance services), SupTech services (technology-facilitated regulatory supervision services), artificial intelligence and machine learning, and open data. We expect additional developments in these areas in the coming year.

For a complete list of novel product offerings and services in respect of which relief has been granted, please visit OSC LaunchPad's webpage.

Publications and resources

In March 2019 we published **Joint CSA/IIROC Consultation Paper 21-402 *Proposed Framework for Crypto-Asset Trading Platforms*,** which sets out a proposed regulatory framework and seeks input from the fintech community, market participants, investors and other stakeholders on a number of areas that will assist in determining appropriate requirements for crypto-asset trading platforms. These include how to address custody and verification of assets, price determination, market surveillance, system and business continuity planning, conflicts of interest, crypto-asset insurance and clearing and settlement.

The comment period ended May 15, 2019. The CSA and IIROC will be reviewing the comments received and determining next steps in the consultation. We intend to take a flexible approach to regulation and use the feedback to establish tailored requirements for crypto-asset trading platforms that considers the benefits of this technology, while addressing risks to investors and creating greater market integrity.

In June 2018 we published **CSA Staff Notice 46-308 *Securities Law Implications for Offerings of Tokens*** to help token issuers determine when an offering of tokens is considered a distribution of securities, including tokens that are commonly referred to as “utility tokens”.

While innovation can offer great investment opportunities, it also comes with risks. OSC LaunchPad continues to support our Investor Office in the publication of fintech-related **guidance and research** that can assist Canadians in making informed decisions. For a complete list of **publications and resources**, please visit OSC LaunchPad’s webpage.

Co-operation with International Regulators

In January 2019, the OSC, along with 28 other financial regulators and organizations, joined forces to establish the **Global Financial Innovation Network** (**GFIN**). GFIN aims to drive more collaboration with regulators and easier cross-border trials for innovative firms and also provides a forum for different financial services regulators to share knowledge, experiences and approaches to emerging issues.

GFIN has also launched the pilot phase of cross-border testing intended to create an environment to allow firms to trial and scale new technologies in multiple jurisdictions, gaining real-time insight into how a product or service might operate in the market. Several Canadian firms and international firms seeking to operate in Canada have submitted applications for participation in the cross-border testing pilot. GFIN is currently reviewing applications and expects the pilot testing phase to begin in Q3 2019.

More information about OSC LaunchPad’s **international regulatory partnerships** can be found on the OSC LaunchPad webpage.

Part 2 INFORMATION FOR DEALERS, ADVISERS AND INVESTMENT FUND MANAGERS

How to navigate Part 2 of the Summary Report

Part 2 of the Summary Report provides an overview of the key findings and outcomes from compliance reviews conducted during the 2018/2019 fiscal year.

The highlights in section 2.1 provide readers with a direct link between the key compliance reviews conducted, the guidance issued as a result of our findings and a list of the registration categories that the guidance applies to. Section 2.2 discusses key or novel issues, suggests best practices and specifies applicable legislation and relevant guidance to assist firms in addressing each of the topic areas. For ease of reference, registration categories are listed beside each deficiency heading to indicate the information that is relevant to firms registered in this capacity.

We encourage registrants to review all the information set out in Part 2 of this report as the guidance presented may be helpful to registration categories other than those listed.

2.1 Annual highlights

a) 2018 Risk Assessment Questionnaire

b) High-risk registrants

c) Referral arrangements

d) Short-term trading and excessive trading

e) High-impact registrants

f) Compensation and incentive practices

g) Expanded exempt market

h) Illiquid holdings

i) Online dealer platforms

j) Sales practices

k) Capital-raising activity

WHAT WE DID	REFERENCE	REGISTRANTS

a) 2018 RISK ASSESSMENT QUESTIONNAIRE

Consistent with prior years, in April 2018 we issued a comprehensive risk assessment questionnaire (the **RAQ**) to 1,058 firms that were registered with the OSC in the categories of PM, restricted PM, IFM, EMD and restricted dealer. The RAQ is issued on a two-year cycle, so registered firms can expect to receive the next version in 2020. The RAQ is our primary tool to gather information about our registrants' business operations, which supports our risk-based approach to select firms for on-site compliance reviews or targeted reviews.

The information collected from the 2018 RAQ was analyzed using a risk assessment model. Every registrant's response was risk-ranked and a risk score was generated. Firms may be risk-ranked as high based on a variety of factors, including the broad nature of a firm's business activities, a large amount of client assets under management (**AUM**), the size of the firm, and the number of clients and/or the type of clients serviced by the firm. Firms that are risk-ranked as high may be selected for a compliance review. In addition, if we conduct a targeted review of a particular area of interest, we may select firms for this review based on their RAQ responses.

- section 2.2.2 (page 30)

- ✔ IFM
- ✔ PM
- ✔ EMD

b) HIGH-RISK REGISTRANTS

In 2018 we commenced compliance reviews of high-risk registrants identified through the RAQ process as discussed above. A sample of registered firms that were risk-ranked as high based on their responses to the 2018 RAQ were selected for review. We are in the process of completing these reviews and will report the findings from these reviews to each firm. As is our normal process, depending on the deficiencies identified during a compliance review, we may consider further regulatory action to remediate the deficiencies.

- section 2.2.1 (page 24-29)
- section 2.2.2 (page 30)
- section 2.2.3 (page 33)
- section 2.2.4 (page 34)

- ✔ IFM
- ✔ PM
- ✔ EMD
- ✔ SPD

WHAT WE DID	REFERENCE	REGISTRANTS

c) REFERRAL ARRANGEMENTS

In 2018, we conducted a sweep (the **referral sweep**) of six registered firms that have a business model based on attracting new clients by way of client referrals from third parties (referral arrangements). The referral sweep focused on determining how PM and EMD firms address the following inherent risks present in referral arrangements:

- client confusion as to the roles and responsibilities of the registrant and referral agent, and
- the risk that an unregistered referral agent may conduct registerable activity.

• section 2.2.5 (page 40)

✔ PM

✔ EMD

✔ SPD

d) SHORT-TERM TRADING AND EXCESSIVE TRADING

In 2018, we conducted a review to assess how IFMs monitor short-term trading and excessive trading (the **STT review**) by unitholders of their investment funds. We selected 25 IFMs to participate in the STT review.

The STT review focused on assessing whether the IFMs had developed and implemented adequate policies and procedures to monitor and deter short-term trading and excessive trading activities in the investment funds they manage. We also reviewed details regarding the circumstances under which a short-term trading fee was being waived to determine whether such action could have an adverse impact to the remaining unitholders of the affected investment fund. Lastly, we investigated whether short-term trading fees were being waived consistently for certain unitholders or unitholders of dealing representatives who had a large level of client assets invested in the IFM's investment funds (i.e., the "top producers").

• section 2.2.5 (page 39)

✔ IFM

✔ MFD

✔ ID

WHAT WE DID	REFERENCE	REGISTRANTS

e) HIGH-IMPACT REGISTRANTS

As part of our risk-based approach to selecting firms for review, we include firms that could have a significant impact on the capital markets if there were a breakdown in their compliance structure or key operations (**high-impact firms**).

In 2018, we completed compliance reviews of six firms which were classified as high-impact. These firms have a combined AUM of $325 billion. The types of deficiencies we identified during these reviews were similar to the deficiencies we identified at other firms in our registrant population.

High-impact firms more frequently use an automated compliance system (**ACS**) to monitor and manage compliance for their trading and portfolio management practices. We continue to note that improvements are required around high-impact firms' controls over their use of an ACS. The use of an ACS by high-impact firms was discussed in detail in section 3.1(c)(iv) of OSC Staff Notice 33-748 *Annual Summary Report for Dealers, Advisers and Investment Fund Managers.*

- section 2.2.2 (page 30)
- section 2.2.5 (page 37-38)

✔ IFM

✔ PM

f) COMPENSATION AND INCENTIVE PRACTICES

We conducted a review of 14 PMs and EMDs focusing on their compensation and incentive practices.

The purpose of this review was to:

- obtain a better understanding of the compensation practices at PMs and EMDs including compensation practices for staff in a compliance or supervisory role,
- assess compliance with the conflicts of interest requirements in Part 13 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**NI 31-103**), and
- determine whether firms have adequate controls in place to mitigate against conflicts of interest arising from compensation arrangements.

- section 2.2.5 (page 42)

✔ PM

✔ EMD

✔ SPD

WHAT WE DID	REFERENCE	REGISTRANTS

g) EXPANDED EXEMPT MARKET

We completed a second review to assess the use of prospectus exemptions recently introduced in Ontario (the **expanded exempt market review**). The expanded exempt market review was coordinated in conjunction with the New Brunswick, Quebec and Saskatchewan securities commissions and included 18 EMDs, 10 of which were reviewed by the OSC. The EMDs reviewed facilitated the distribution of securities in reliance on the offering memorandum (**OM**) and/or the family friends, and business associates (**FFBA**) prospectus exemptions. The objective of the review was to assess the use of the OM and FFBA prospectus exemptions, and for the OSC to assess whether there had been improved compliance since the first expanded exempt market review conducted in 2017.

- section 2.2.1 (page 26)

✔ EMD

h) ILLIQUID HOLDINGS

We conducted a review of 11 IFMs who managed investment funds with large holdings in illiquid securities (the **illiquid holdings review**). The illiquid holdings review focused on assessing the adequacy of the IFMs' valuation procedures. In addition, our review assessed whether the IFM was appropriately overseeing the investment fund's compliance with applicable regulatory restrictions or investment restrictions as stated in the investment fund's offering document.

- section 2.2.2 (page 31)

✔ IFM

✔ PM

i) ONLINE DEALER PLATFORMS

In 2017 and 2018, we conducted compliance reviews of 8 EMD and restricted dealer firms that operate online dealer platforms for the distribution of exempt market products. The purpose of these reviews was to determine if the firms had designed and established appropriate compliance systems and supervisory controls to effectively address the unique risks associated with their online business models. Through these reviews we also engaged with firms to understand the challenges they faced in operating an online platform and interacting with investors using this medium. Refer to OSC Staff Notice 33-749 *Annual Summary Report for Dealers, Advisers and Investment Fund Managers* (**OSC Staff Notice 33-749**).

- OSC Staff Notice 33-749 (page 34)

✔ EMD

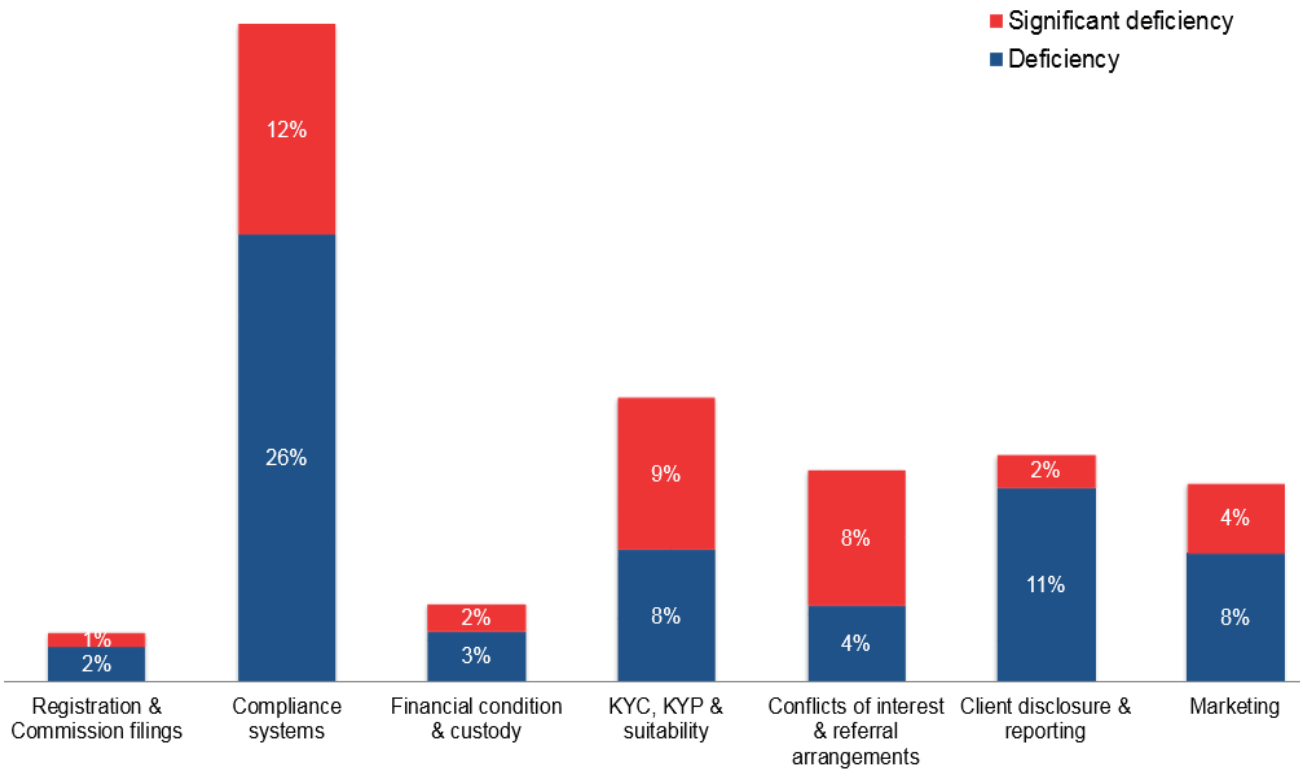
WHAT WE DID	REFERENCE	REGISTRANTS
j) SALES PRACTICES		
We conducted a focused desk review of sales practices (the **sales practices desk review**) involving the provision of non-monetary benefits through items, activities and charitable donations provided under Part 5 and Part 7 of NI 81-105. We selected 25 IFMs to participate in the sales practices desk review. Our work focused on sales practices that could be perceived as inducing dealers and their representatives to sell mutual fund securities on the basis of incentives they were receiving, rather than what was suitable for their clients.	• section 2.2.5 (page 35)	✔ IFM ✔ MFD ✔ ID
k) CAPITAL-RAISING ACTIVITY		
We completed a review of 16 issuers that conducted capital-raising activity without involving a registered dealer and were not registered as a dealer or in any other category of registration. The purpose of the review was to identify issuers who were in the business of trading and required registration as a dealer or relied on an appropriate prospectus exemption.	• section 2.2.1 (page 26)	✔ EMD

2.1.1 Summary of deficiencies identified

The following chart summarizes our findings from reviews set out in the annual highlights section. Deficiencies we identify during the fiscal year are impacted by various factors including the following:

- CRR's planned reviews of specific aspects of a firm's operational activities,
- the nature and complexity of the firms reviewed, and
- firms' compliance with securities law.

Deficiencies by topic area
as a percentage of overall deficiencies



2.2 Registration and compliance deficiencies

2.2.1 Registration & Commission filings

- Form 33-109F4 filing submissions that were returned
- Certification in Form 33-109F4 not being followed
- Registerable activity by non-registered parties
- Novel exemptive relief for dealer business models

2.2.2 Compliance systems

- Inconsistent and inaccurate responses provided in RAQ
- Supervision of dealing representatives using multiple languages
- Valuation of illiquid assets

2.2.3 Financial condition & custody

- Custody requirements for registered firms

2.2.4 Know your client (KYC), know your product (KYP) & suitability

- Concentration and suitability

2.2.5 Conflicts of interest & referral arrangements

- Sales practices
- Prohibited investment in a related entity
- Prohibited inter-fund trades
- Short-term trading and excessive trading
- Referral arrangements
- Compensation and incentive practices

2.2.1 Registration & Commission filings

a) Form 33-109F4 filing submissions that were returned (All)

This year, we returned 3,413 submissions on NRD to AFRs for correction or updating. In addition to delays, and the need for additional staff effort, a returned submission renders the submission ineligible for service standard guarantees.

The most common sections of Form 33-109F4 *Registration of Individuals and Review of Permitted Individuals* (**33-109F4**) requiring correction are:

- Item 6 - Individual categories - 34% of all returns
- Item 10 - Current employment - 26% of all returns
- Item 8.1 - Proficiency experience - 10% of all returns
- Item 1 - Name - 2% of all returns

Examples of common deficiencies in these items include:

- requesting an inappropriate category for the applicant's activities,
- not including the title for officers who are Permitted Individuals,
- not appropriately describing conflicts of interest in the section provided in the current employment entry,
- not providing sufficient or clear proficiency experience details to support claims of relevant experience required for the registration category being sought by the applicant, and
- not providing full legal names, former names, aliases, or trade or business names that the applicant operates under.

Registered firms should:

- understand the activities permitted by each registration category,
- have a discussion with applicants concerning their names and titles,
- finalize the activities contemplated by the firm before adding a registration category,
- speak with applicants to confirm their understanding of the questions set out in the 33-109F4 and review their responses for completeness before submitting their application to the OSC,
- periodically remind applicants of their ongoing reporting obligations and review updates for completeness prior to submission,
- provide sufficient descriptions of outside business activities or other disclosures, and
- have adequate supervision systems to determine if existing procedures are functioning.

Legislative reference and guidance

- National Instrument 33-109 *Registration Information* (NI 33-109)
- Companion Policy 33-109CP *Registration Information* (NI 33-109CP)

b) Certification in Form 33-109F4 not being followed (All)

Some individual applicants complete the 33-109F4 without fully understanding its content and potentially without an adequate level of support and due diligence from their sponsoring firm. The 33-109F4 currently requires a certification of truth and completeness. It also requires the applicant to certify that they have discussed the form with a supervisory officer of their firm and that, to the best of the applicant's knowledge, the officer was satisfied that the applicant understood the questions.

We generally receive a positive certification with 33-109F4 filings. However, in some cases, upon further review, the applicant has not always discussed the form with their firm's supervisory officer, nor do they understand the nature and extent of the information being requested. For example, staff have encountered situations in which applicants, after failing to disclose necessary information, admit that they did not review the application with any other person before certifying that they had discussed the form with a supervisory officer.

Section 5.1 of NI 33-109 requires sponsoring firms to make reasonable efforts to ensure the truth and completeness of information that is submitted. We remind registered firms of their responsibility in overseeing applicants they sponsor. This includes confirming that the applicant fully understands the questions being asked of them in the 33-109F4.

Registered firms should:

- provide individual applicants with an opportunity to have a meaningful discussion with their firm about the 33-109F4 and its content,
- inquire whether individual applicants have any questions or are confused regarding the questions set out in the 33-109F4,
- develop measures that identify areas prone to common errors and proactively discuss these areas with applicants prior to filing the 33-109F4,
- discuss the 33-109F4, its content, and the applicant's completion process prior to submitting the 33-109F4, and
- have policies and procedures that validate the certification contained in the 33-109F4 is being followed.

Legislative reference and guidance

- NI 33-109
- NI 33-109CP

c) Registerable activity by non-registered parties (All)

Registerable activity by non-registered issuers

We are aware of issuers that are directly interacting with investors to raise money under certain exemptions from the prospectus regime including the OM and FFBA prospectus exemptions. In some cases, issuers are directly soliciting and selling investment opportunities to the public via websites and social media. We have conducted reviews of these issuers in response to a concern that certain issuers may be in the business of trading and are not registered as a dealer. Our focus in these reviews were issuers relying on the new prospectus exemptions in Ontario where there may be a misunderstanding on how to utilize these exemptions.

We focused on issuers who:

- filed multiple Form 45-106F1 *Report of Exempt Distribution* (**45-106F1**) filings identifying that no compensation was paid to a registered dealer or registered individual in connection with the distribution(s),
- submitted multiple 45-106F1 filings within a period of time - this raised concerns that the trading activity was being done with repetition, regularity or continuity,
- appeared to be directly soliciting investments through advertising over the internet and social media, and/or
- distributed securities and had large capital raises from Ontario investors.

In some cases we identified regulatory concerns as there appeared to be significant capital-raising activity conducted by these issuers and transactions processed directly by these issuers without the involvement of a registered dealer or reliance on an appropriate registration exemption. Furthermore, many of these transactions relied on the OM prospectus exemption, but in some cases, the transactions were above the investment limits and the amounts invested would have required the involvement of a registered dealer to assess the suitability of the transaction and determine that the transaction was suitable (i.e., positive suitability assessment), in order to be permissible under the exemption. In other cases, the issuer:

- purported to rely on the involvement of an entity or individuals to sell its securities; however, they were not in fact registered, or
- represented that a registered dealer was involved in the transaction but there was no documentation to evidence the involvement of a registered dealer and there was no compensation disclosed on the issuer's filings to the Commission.

In addition, the FFBA prospectus exemption was used for a significant number of all of the transactions processed by certain issuers, which continues to raise concerns for staff that investors may not actually meet the definition of family, friends or business associates.

We remind issuers that offer their own, or an affiliate's securities, to continually reassess whether they are in the business of trading or advising and thus require registration. Some factors to consider when assessing if the issuer has met the business trigger are set out in OSC Staff Notice 33-749 on page 27. This activity does not have to be the entity's sole or even primary endeavour for it to be considered in the business of trading in, or advising on, securities. We remind registrants that when interacting with issuers, to be aware of the requirements under the various prospectus exemptions relied on, and whether it is the issuer or the registered dealer's obligation to conduct certain activities and to maintain evidentiary documentation that the requirements of the exemption have been fulfilled.

Legislative reference and guidance

- Section 8.5 of **NI 31-103**
- Section 1.3 of Companion Policy 31-103CP *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**NI 31-103CP**)
- Sections 1.5 and 1.9 of National Instrument 45-106 *Prospectus Exemptions* (**NI 45-106**)
- Section 3.2 of Companion Policy 45-106CP *Prospectus Exemptions* (**NI 45-106CP**)
- **OSC Staff Notice 33-749**, page 27

c) Registerable activity by non-registered parties (cont'd)

Employees trading without appropriate registration

During the course of our reviews, we also identified registered firms that employed individuals who conducted trading/dealer activities on behalf of the firm without these individuals being registered to do so. Registered firms are responsible for the conduct of individuals acting on behalf of the firm.

In limited instances, we noted that employees who are not registered as dealing representatives (but may be registered in other categories) are soliciting clients. If the employee is soliciting clients for the registered firm, they are required to be registered as a dealing representative. This includes individuals who are registered as UDP, CCO and/or who are registered as an advising representative.

In other instances, employees are recommending securities to clients without registration as a dealing representative. Registered firms and individuals have specific obligations owed to clients under NI 31-103 including know-your-client (**KYC**) and suitability. These obligations must be fulfilled by registered dealing representatives that are appropriately trained and supervised by the firm.

Registering individuals in the wrong category

Similar to the issue of unregistered individuals conducting registerable activity is the problem of registering individuals in the incorrect category. During compliance reviews, staff have seen situations where individuals have registered in a category that does not match the type of activity being conducted. For example, some individuals have obtained registration as dealing representatives when they are conducting registerable activity for managed account clients (for example, collecting KYC information or having discussions about portfolio performance). In these circumstances, the individuals require registration as advising representatives or the activity should be conducted by an appropriately registered advising representative.

Activities of "finders" in the context of private placements and prospectus offerings

We have seen a number of situations where issuers have purported to distribute securities to investors on the basis of a "non-brokered" private placement or prospectus offering while at the same time paying finder's fees/ warrants, broker fees/warrants, referral fees or similar types of compensation to finders, referral agents, investor relations consultants or similar third-parties (collectively referred to here as **finders**). In some cases, the finders have been registered firms or individuals while in other cases the finders are not registered and included former registrants or registrants under suspension.

Staff generally consider a person acting as a finder to be engaging in registerable activity (i.e., an activity that requires registration or an exemption from registration) based on the principles set forth in section 1.3 of NI 31-103CP.

Accordingly, where a prospectus or other offering document or a report of exempt distribution indicates that a person has acted as a finder in an offering – and particularly where it appears that no other dealer or underwriter has been involved in the offering – staff may raise comments requesting further information relating to:

- the identity of the finders,
- the role played by each finder and the manner of compensation for each finder in the offering,
- an explanation of how the finder's role, functions and compensation are different from the role, functions and compensation of a dealer or underwriter in an offering,
- the registration status, if any, of each of the finders, and
- if the finders are registered, confirmation that the finders have complied with their registrant obligations in connection with the transaction, including their KYC, KYP and suitability obligations, their obligation to identify and respond to conflicts of interest, and their client disclosure obligations in relation to referral arrangements.

c) Registerable activity by non-registered parties (cont'd)

The policy reasons for raising these comments include, among others, the concern that:

- a person who is engaging in registerable activity as a dealer and/or underwriter may not be appropriately registered as a dealer or underwriter under subsections 25(1) and (2) of the *Securities Act* (Ontario) (the **Act**),
- a person who is performing a similar function to, and being compensated in a similar manner to, an underwriter in a prospectus offering may be seeking to avoid underwriter liability to investors under the prospectus simply by labelling their role as a "finder" rather than "dealer" or "underwriter",
- an EMD who is performing a similar function to, and is being compensated in a similar manner to, an underwriter in a prospectus offering may be seeking to avoid the restrictions on EMDs participating in prospectus offerings in Part 7 of NI 31-103 simply by labelling their role as a "finder" rather than "dealer" or "underwriter", and
- an ID or PM that is managing a client's managed account and that purchases securities from the issuer for the client's managed account while at the same time taking a finder's fee from the issuer may be in a significant conflict of interest with their clients and may be in breach of other obligations to their clients.

Where staff become aware of a person engaging in dealer activities without appropriate registration or an exemption from registration, or a registrant engaging in registerable activities without compliance with registrant obligations, staff may recommend compliance or enforcement action against the person and/or registrant as appropriate. We also remind market participants that, where a distribution of securities is made in breach of the registration requirements of Ontario securities law, this may provide investors with a civil right of action for rescission or damages against the issuer, its principals and any intermediaries involved in the transaction.

Registered firms should:

- have adequate internal controls to prevent non-registered individuals from conducting trading/advising activity, including promoting, soliciting, or recommending a security,
- review the role and nature of interaction between a registered firm's clients or potential clients and non-registered employees, and
- provide adequate training to employees on the limitations on what activities they can perform based on their registration category.

Legislative reference and guidance

- Section 8.5 of **NI 31-103**
- Section 1.3 of **NI 31-103CP**
- Paragraph **25(1)(b) of the Act**
- Paragraphs **25(3)(b) and (c) of the Act**
- Part 6 - *Activities of "finders" in the context of prospectus offerings* of **OSC Staff Notice 51-706** *Corporate Finance Review Program Report*

d) Novel exemptive relief for dealer business models (EMD)

Staff regularly assess exemptive relief applications from both the dealer registration requirements as well as specific securities law obligations for registered dealers that operate unique business models where the existing obligations may not be applicable or appropriate for their business. The review standard for granting relief varies, but it generally requires a decision maker to determine that granting the requested relief would not be prejudicial to the public interest.

Staff support the development of novel business models and are continuously working to facilitate timely exemptive relief for firms that require this relief in order to operate in compliance with securities regulation.

Examples of firms that have recently received novel exemptive relief include the following:

- a registered dealer that only introduces non-individual permitted clients to issuers and is not involved in the negotiation, documentation, financing or transaction closing of any investment received relief from the trade confirmation and account statement requirements in NI 31-103,
- a not-for-profit angel investor network for accredited investors that relies on and is restricted by government grants to fulfil its mandate and is also not involved in the negotiation, documentation, financing or transaction closing of any investment received relief from the excess working capital, trade confirmation and account statement requirements in NI 31-103, and
- a PM that received relief from the dealer registration requirement, the KYC and suitability requirements, and the requirements to deliver account statements and investment performance reports in respect of investors in a model portfolio service offered by an affiliated MFD.

We encourage firms engaging in similar or other novel business models and their counsel to contact us to discuss their business plans and potential options, including applying for exemptive relief.

Before making a formal application for exemptive relief, firms may wish to first submit a pre-filing. The purpose of a pre-filing is to enable a firm to consult with staff on a specific issue to understand how securities legislation will be interpreted by the OSC. Staff will work with the firm and their counsel to assess whether exemptive relief is required in order to help the firm determine its next steps.

Legislative reference and guidance

- **National Policy 11-203** *Process for Exemptive Relief Applications in Multiple Jurisdictions*
- **OSC Staff Notice 33-747** *2016 Annual Report for Dealers, Advisers and Investment Fund Managers*, page 37
- **OSC Staff Notice 33-746** *2015 Annual Report for Dealers, Advisers and Investment Fund Managers*, pages 45-47

2.2.2 Compliance systems

a) Inconsistent and inaccurate responses provided in RAQ (IFM / PM / EMD)

We assess the accuracy of registered firms' responses to the RAQ during our compliance reviews. In many instances, we have noted that information provided in the RAQ was not consistent with information obtained during the compliance review. It is imperative that the responses provided to us by registrants are both accurate and complete. In addition, complete and accurate responses to the RAQ will assist CRR staff in planning for upcoming compliance reviews and ensuring reviews are conducted as efficiently and effectively as possible. Finally, providing accurate responses avoids the potential for registered firms to be selected as part of a sweep that focuses on a particular topic of interest based on incorrect information provided in the RAQ.

While we acknowledge that the RAQ requires registrants to provide us with a lot of information, registered firms are given six weeks to submit their responses to the RAQ and ten weeks to submit the Prospectus-Exempt Fund Form spreadsheet (for IFMs only). For help completing the RAQ, please attend our outreach session "Completing the Risk Assessment Questionnaire". This session is typically held shortly after the RAQ is issued and discusses frequently asked questions and provides a walk-through of areas of the RAQ which have been challenging for registrants in the past. Any additional questions can be sent to staff at ComplianceSurvey@osc.gov.on.ca.

Individuals involved in the completion of the RAQ for their registered firm are also encouraged to make use of the following resources to assist in the completion of the RAQ:

- FAQ and User Guide, including the section titled "Basics for Completing the Questionnaire",
- Help Page provided in each section of the RAQ, and
- Interactive features in the navigation bar on each page of the RAQ.

b) Supervision of dealing representatives who speak multiple languages (EMD / SPD)

During our reviews of EMDs and SPDs, we noted several instances where firms did not establish and maintain systems of controls and oversight for effectively supervising and monitoring the firm's dealing representatives who communicate with clients using multiple languages. In particular, scenarios were identified where clients were provided disclosure documents and offering materials printed in English and French, while a different language was used by dealing representatives to discuss the key features, risks and fees of the product. This increases the risk of misinformation as clients may be solely relying on the communication provided by the dealing representative to understand the investment opportunity. Dealing representatives may communicate with their clients in whichever language best serves the client; however, registered firms must be able to effectively supervise those communications as part of the overall obligation to supervise each dealing representative's activities.

Registrants are required to establish a system of controls and supervision by establishing, maintaining and applying policies and procedures. Firms should ensure that they are aware of what language is being used to communicate with clients and have a system of controls to supervise the activity conducted in these languages.

b) Supervision of dealing representatives who speak multiple languages (cont'd)

Dealers should:

- identify dealing representatives who use multiple languages,
- have a process in place to supervise the dealing representatives who use multiple languages, and
- document any special supervisory needs relating to monitoring dealing representatives who use multiple languages.

Legislative reference and guidance

- Section 11.1 – *Compliance system* of NI 31-103 and related NI 31-103CP
- Subsection 32(2) of the Act

c) Valuation of illiquid assets (IFM / PM)

Some firms do not have an adequate process to identify and value illiquid assets. During our reviews, we noted that some firms considered an equity investment held by their investment fund to be liquid as long as the investment was listed on an exchange, without further consideration of market activity and conditions. As a result, firms did not always adequately value securities held by their investment funds that were i) thinly traded, ii) subject to trading restrictions or iii) private (collectively, **illiquid holdings**). Some firms used closing market prices with no adjustments to reflect fair value for the following:

- securities subject to trading restrictions, and
- securities for which there was insufficient trading volume to support an active market.

An IFM has a legal obligation to determine fair value of the securities held by its investment fund for net asset value (**NAV**) calculation purposes. An IFM's valuation procedures should assess whether the investment fund would be able to dispose of the securities held at the publicly quoted price by taking market activity and conditions into consideration. A stock listing does not necessarily mean that an equity investment could be disposed of at closing market price. If the IFM believes that it would not be able to dispose of the securities at the publicly quoted trading price, the IFM must determine a value that is fair and reasonable in the circumstances by considering whether any adjustments to the publicly quoted price are required.

Other deficiencies we noted relating to the valuation of illiquid holdings included:

- inadequate documentation of the firm's valuation methodology,
- infrequent updating of market inputs when valuing securities using a valuation model,
- reliance on the PM's pricing of the illiquid security without the IFM performing an independent verification of the stated price.

c) Valuation of illiquid assets (cont'd)

Non-compliance with illiquid asset concentration restrictions

Additionally, we also noted that some mutual funds that are reporting issuers (**public funds**) did not always comply with the concentration restrictions in illiquid assets outlined in section 2.4 of NI 81-102. A public fund must not purchase an illiquid asset if, immediately after the purchase, more than 10% of the public fund's NAV will be made up of illiquid assets. In addition, a public fund must not invest 15% of its NAV in illiquid assets for a period of 90 days or more. An IFM should have an adequate process to monitor compliance with the concentration restrictions for illiquid assets including taking the appropriate corrective action in a timely manner for any breaches identified.

IFMs and PMs should:

- review the publicly-traded securities held by the investment fund to determine whether the publicly quoted trading price of the securities reflects fair value,
- determine an adequate valuation methodology, including establishing the appropriate frequency for valuation relating to all securities that are not traded/quoted on a public exchange,
- periodically review the valuation methodology to confirm that it is still appropriate,
- verify that the market inputs of the valuation model used have been appropriately updated at each valuation date,
- maintain adequate documentation to support the valuation of thinly traded, restricted and private securities, and
- establish a process to monitor the investment fund's compliance with the liquidity requirements stated in its offering documents including any restrictions imposed by NI 81-102 (if applicable).

Legislative reference and guidance

- Part 11 – Division 1 *Compliance* of **NI 31-103** and related **NI 31-103CP**
- Section 2.4 of NI 81-102 *Investment Funds* (**NI 81-102**)
- **OSC Staff Notice 81-727** *Report on Staff's Continuous Disclosure Review of Mutual Fund Practices Relating to Portfolio Liquidity*

2.2.3 Financial condition & custody

Custody requirements for registered firms (IFM / PM)

On June 4, 2018, the amendments to NI 31-103 that enhanced the custody requirements of registered firms (the **Custody Rules**) came into force.

During our normal course reviews, we noted that IFMs had not updated their prime brokerage agreements to meet the requirements of the Custody Rules. Section 14.5.2 of NI 31-103 requires IFMs to exercise due skill, care and diligence in the selection and appointment of the custodian for the investment funds they manage. This includes confirming that the investment fund's custodial agreements or prime brokerage agreements address key matters such as the location of portfolio assets, any appointment of a sub-custodian, the method of holding portfolio assets, the standard of care of the custodian and the responsibility for loss.

Additionally, we noted that disclosure documents provided by IFMs to clients (where the IFM was distributing its own products or also acting as the PM for an investment fund) did not always include adequate disclosure. We noted that the following risks were not disclosed:

- the differing standard of care between a prime broker and a custodian, and
- the potential risk of using a prime broker instead of a traditional custodian.

We also noted that IFMs do not always hold cash-in-transit in accordance with the new requirements under the Custody Rules. Under section 14.5.3 of NI 31-103, cash-in-transit for an investment fund or client should be held as follows:

- in an account in the name of the fund or client with a qualified custodian, or
- in a designated trust account in the name of the IFM in trust for the fund or the client, and separate and apart from the IFM's own property.

IFMs and PMs should:

- review their relationship disclosure documents to confirm that this disclosure has been updated to include:
  - the location where, and a general description of the manner in which, the client's (including an investment fund's) assets are held, and
  - a description of the risks and benefits arising from the assets being held at that location and in that manner.

IFMs should:

- review their custodial and prime brokerage agreements to verify that these agreements include key matters such as the location of portfolio assets, any appointment of a sub-custodian, the method of holding portfolio assets, the standard of care of the custodian and the responsibility of loss. If these key matters are not included, we expect IFMs to work with the prime broker or custodian to update the agreement, create an addendum to the agreement, or enter a stand-alone agreement to incorporate these details, and
- hold cash, specifically cash-in-transit, in accordance with the Custody Rules.

Legislative reference and guidance

- Sections 14.5.2 and 14.5.3 of NI 31-103 and related NI 31-103CP

2.2.4 Know your client (KYC), know your product (KYP) & suitability

Concentration and suitability (EMD / SPD)

We noted instances where dealers did not adequately assess clients' concentration risk as part of their suitability assessment. In certain cases, dealers did not collect enough KYC information to reasonably assess concentration risk and, as a result, concentration risk was not considered as part of the suitability assessment.

We also observed that certain EMDs used client-directed-trade instructions as a tool to circumvent their suitability obligations. During compliance reviews, we noted some firms used client-directed trade instructions in a large portion (in some cases over 40%) of client files reviewed by staff. In these cases, EMDs would assess a transaction to be unsuitable (for excessive concentration risk or other reasons) and include a client-directed trade instruction in the client's file and proceed with the transaction. This raises concerns that firms are not appropriately discharging their obligation to assess the suitability of the transaction, and are routinely documenting trades as being unsuitable and using client-directed trade instructions as an alternative to engaging in a meaningful suitability conversation with the client.

Dealers should:

- establish policies and procedures for assessing concentration risk, including what information should be collected from clients to assess concentration risk, how concentration risk is calculated and what thresholds would cause a client to be over-concentrated,
- if a dealer has concerns that a client has a high concentration in a single issuer, group of related issuers, or a single industry, they should:
  - engage in a meaningful dialogue with the client to explain the importance of diversification and the risk of over-concentration,
  - consider a lower investment amount that would reduce the client's concentration risk, and
  - document why the transaction was deemed suitable despite the client's concentration risk.
- if a transaction is deemed to be unsuitable due to over-concentration concerns, but the client nevertheless wishes to proceed with the transaction, the dealer should:
  - document the discussion with the client regarding the client's concentration risk and the unsuitability of the transaction, and
  - obtain a signed client-directed trade instruction, which includes a specific explanation of the unsuitability of the transaction.

Legislative reference and guidance

- CSA Staff Notice 31-336 *Guidance for Portfolio Managers, Exempt Market Dealers and Other Registrants on the Know-Your-Client, Know-Your-Product and Suitability Obligations*
- OSC Staff Notice 33-740 *Report on the results of the 2012 targeted review of portfolio managers and exempt market dealers to assess compliance with the know-your-client, know-your-product and suitability obligations*

2.2.5 Conflicts of interest & referral arrangements

a) Sales practices (IFM / MFD / ID)

We executed a focused desk review relating to the provision of non-monetary benefits by IFMs to participating dealers and dealing representatives under Part 5 and Part 7 of NI 81-105. The sales practices desk review included a sample of 25 IFMs and focused on the provision of non-monetary benefits through items and activities (both promotional and non-promotional) over a period of approximately 18 months covering the IFM's fiscal 2017 and fiscal 2018 (up to August 31, 2018). The following chart summarizes the total number of promotional items and activities reviewed through this desk review across the 25 IFMs.

	Review period (Fiscal 2017 – August 31, 2018)
Total promotional items	15,750 items given
Total promotional activities	57,800 events attended by 105,200 dealing representatives

The purpose of the sales practices desk review was to:

- determine if there had been improvement in sales practice compliance resulting from the recent sales practices settlement agreements in 2017 and 2018, and the previously issued guidance in OSC Staff Notice 33-743, and
- review and assess an IFM's internal controls and policies, procedures, and practices relating to the provision of non-monetary benefits.

The majority of IFMs included in the sales practices desk review used the most recently published sales practices settlement agreements and OSC Staff Notice 33-749 to improve their policies and procedures with respect to the provision of non-monetary benefits through items and activities provided as promotional. Some IFMs also decreased the limits set per item, per activity and the total overall non-monetary benefits provided on an annual basis.

Part 5 of NI 81-105

Part 5 of NI 81-105 regulates the sales practices of industry participants in connection with the distribution of publicly offered securities of mutual funds to safeguard the interests of investors. As a result, NI 81-105 establishes a minimum standard of conduct to ensure that any compensation or non-monetary benefits provided to participating dealers and their respective representatives are not so extensive or so frequent so as to provide a perception of influence over the selection of mutual funds for distribution by a representative to their clients.

Non-compliant sales practices

Although we noted improvements in the sales practices provided by IFMs, we continued to raise deficiencies in the following areas:

- provision of promotional items of non-minimal value,
- provision of excessive business promotion activities,
- provision of non-promotional items and activities,
- provision of non-monetary benefits on a frequent basis,
- provision of monetary support to non-educational participating dealer and/or dealing representative events,
- inadequate internal controls to monitor the provision of non-monetary benefits, and
- inadequate written policies and procedures governing the provision of non-monetary benefits and the solicitation of non-compliant monetary and non-monetary benefits.

a) Sales practices (cont'd)

We have reported the findings from this current initiative to each IFM included in the sales practices desk review.

We would like to remind IFMs of their obligations to comply with Part 5 of NI 81-105 when engaging in sales practices with participating dealers and dealing representatives. We strongly encourage registrants to use the guidance included in the most recent OSC Staff Notice 33-749, particularly the example qualitative framework provided, to improve their understanding of, and compliance with, applicable regulatory requirements. All previously issued guidance related to sales practices is meant to assist IFMs in meeting their duty to act honestly, in good faith, and in the best interests of their investment funds as required by section 116 of the Act. Many of the concepts related to sales practices require judgment. Through previously issued guidance, we have tried to establish parameters around these concepts which best correlate with an IFM's standard of care. We would like to remind IFMs that in establishing internal sales practice parameters the overarching objective and spirit of the rule must always be at the forefront and adhered to.

Prohibited categories of spending

We noted instances where IFMs were providing monetary support solicited by participating dealers and dealing representatives for dealer events that did not comply with the available exemptions under Part 5 of NI 81-105. IFMs can provide monetary support solicited by participating dealers and dealing representatives under sections 5.1 and 5.5 of NI 81-105 if there is an educational component to the event. We noted IFMs provided monetary support for dealer events such as:

- holiday parties,
- activity days,
- dinner for prospective and existing clients, and
- appreciation dinners for dealing representatives.

IFMs, MFDs and IDs should:

- establish clear written policies and procedures, including illustrative examples, of when monetary support can be provided to a participating dealer and/or dealing representative for events,
- establish clear written policies and procedures to address when IFM support can be provided in response to solicitation by participating dealers and/or dealing representatives, and
- provide monetary support only for events solicited by participating dealers and/or dealing representatives that comply with the available exemptions in Part 5 of NI 81-105 and an IFM's written policies and procedures.

Legislative reference and guidance

- Section 2.1 of National Instrument 81-105 *Mutual Fund Sales Practices* (NI 81-105)
- Section 2.2 of NI 81-105
- Part 5 of NI 81-105
- Section 11.1 – *Compliance system* of NI 31-103 and related NI 31-103CP
- Section 2.2.5(c) of OSC Staff Notice 33-749
- OSC Staff Notice 33-743 *Guidance on sales practices, expense allocation and other relevant areas developed from the results of the targeted review of large investment fund managers*

b) Prohibited investment in a related entity (IFM / PM)

During the course of our reviews, we identified instances where a registered adviser's managed account clients, including clients that are investment funds, were invested in securities of a related issuer (i.e., where an officer, director or adviser of the firm was also an officer, director or partner of the issuer). Registered advisers did not always take appropriate steps, prior to purchasing securities of a related issuer for their managed account clients, to comply with securities law. Specifically, for managed account clients, including where the client was a private investment fund, the registered adviser did not disclose and obtain consent for the purchase of securities in the related issuer from the managed account clients prior to the purchase.

Under section 13.5(2)(a) of NI 31-103, a registered adviser is allowed to purchase securities of an issuer related to the registered adviser for a portfolio it manages, including a private investment fund it manages, if this conflict is:

(i) disclosed to the client, and
(ii) written consent is obtained from the client prior to the purchase of the security.

If the client is a private investment fund, the disclosure should be provided to, and the consent obtained from, each security holder of the investment fund in order to be meaningful. Disclosure to the client should be prominent, specific and clear.

This approach may not be practical for public funds, as such, firms should consider the specific exemption codified under section 6.2 of NI 81-107 which allows public funds to make or hold an investment in the security of an issuer related to it, its manager or an entity related to the manager if, at the time the investment is made, the Independent Review Committee (**IRC**) approves the trade and the purchase is made on an exchange on which the securities of the issuer are listed and traded.

IFMs and PMs must:

- maintain adequate policies and procedures to identify all conflicts of interest, including a purchase of securities of a related issuer for an investment portfolio managed by it, including an investment fund it manages,
- when purchasing securities of a related issuer for managed account clients, including private investment funds:
  - provide adequate disclosure, and
  - obtain written consent from clients prior to the purchase.
- when purchasing securities of a related issuer for public funds, at the time that the investment is made, ensure that:
  - the IRC has approved the investment, and
  - the securities are purchased through an exchange where the securities of the issuer are listed and

Legislative reference and guidance

- Paragraph 13.5(2)(a) of NI 31-103 and related NI 31-103CP
- Paragraph 111(2)(c) of the Act
- Section 6.2 of National Instrument 81-107 *Independent Review Committee for Investment Funds* (NI 81-107)

c) Prohibited inter-fund trades (IFM / PM)

We continue to see registered firms allowing prohibited inter-fund trades to occur between investment funds (that are not reporting issuers) that are both managed and advised by the registered firm.

During the course of our reviews we noted instances where the registered firm traded securities between two private investment funds both managed and advised by the registrant. The inter-fund trading was the result of a rebalancing of the portfolio securities held by both private investment funds. The securities were in line with the investment objectives and investment restrictions of the funds and were held by the fund prior to the occurrence of the inter-fund trades. The inter-fund trade occurred at the closing price through a registered dealer. The investment funds and ultimately the underlying unitholders were not negatively affected. However, due to the potential for conflicts of interest in these types of transactions, the inter-fund trades were offside securities law.

Section 13.5(2)(b) of NI 31-103 strictly prohibits inter-fund trading between two investment funds that have the same adviser. This transaction gives rise to an actual or perceived conflict of interest as the registered adviser is responsible for determining the terms of the trade for both funds. Registered advisers wishing to engage in inter-fund trading between two private investment funds managed and advised by them can apply for exemptive relief. The exemptive relief contains safeguards that we feel are necessary to allow for this inter-fund trading to occur in a manner that adequately addresses any actual or perceived conflict of interest. These safeguards include:

- ensuring the inter-fund trade is consistent with the investment objectives of the participating private investment funds,
- requiring that the matter is approved by an IRC, and
- requiring that the inter-fund trade is transacted at the current market price, and in respect of exchange-traded securities, the inter-fund trade is executed at the last sale price.

There is an exemption from this prohibition that exists for inter-fund trades between two public funds in section 6.1 of NI 81-107.

IFMs and PMs must:

- maintain policies and procedures that prohibit inter-fund trades between two private investment funds, or between a public fund and a private investment fund, and
- put in place adequate pre-trade controls to identify and prevent prohibited inter-fund trades from occurring.

Legislative reference and guidance

- Paragraph **13.5(2)(b) of NI 31-103** and related **NI 31-103CP**
- Section 6.1 of **NI 81-107**

d) Short-term trading and excessive trading (IFM)

We conducted a desk review to assess how IFMs monitor short-term trading and excessive trading by unitholders of their investment funds.

Short-term trading activity can be harmful to unitholders and funds by increasing costs to the fund, by disrupting a PM's strategies and by requiring PMs to maintain higher levels of cash. There is also the conflict of interest if an IFM were to consistently waive short-term trading fees for certain unitholders or unitholders of certain dealing representatives with a large level of client assets invested in the IFM's funds.

Overall, we found that all firms reviewed were monitoring for short-term trading activity with most firms having adequately documented policies and procedures. We did identify some instances where IFMs waived the short-term trading fee for the benefit of the redeeming unitholder or the redeeming unitholder's dealing representative, without considering the impact to the remaining unitholders in the affected investment fund. Our review found that, although short-term trading fees were waived in some instances, the impacts to the affected investment funds were negligible and that short-term trading fees were not being consistently waived for certain unitholders or unitholders of certain dealing representatives.

IFMs should:

- have a system of controls in place to monitor for short-term trading and excessive trading by unitholders of their investment funds,
- maintain clearly documented policies and procedures which contain (but are not limited to):
  - the criteria used by the firm to identify a short-term trade,
  - the criteria used by the firm to identify excessive trading,
  - the process used by the firm to monitor for short-term trading and excessive trading activity,
  - whether the firm utilizes a first-in first-out or last-in first-out methodology for monitoring short-term trading and excessive trading activity,
  - the consequences for a redeeming unitholder who is identified to be in breach of the firm's short-term trading and excessive trading policy,
  - the circumstances under which a short-term trading fee could be waived,
  - the person(s) at the firm who have the authority to waive a short-term trading fee and the process by which a fee can be waived,
- periodically evaluate whether the established policies and procedures are adequate and effective in monitoring and deterring short-term trading and excessive trading activity in their investment funds, and
- maintain adequate documentation, including the firm's rationale for waiving a short-term trading fee.

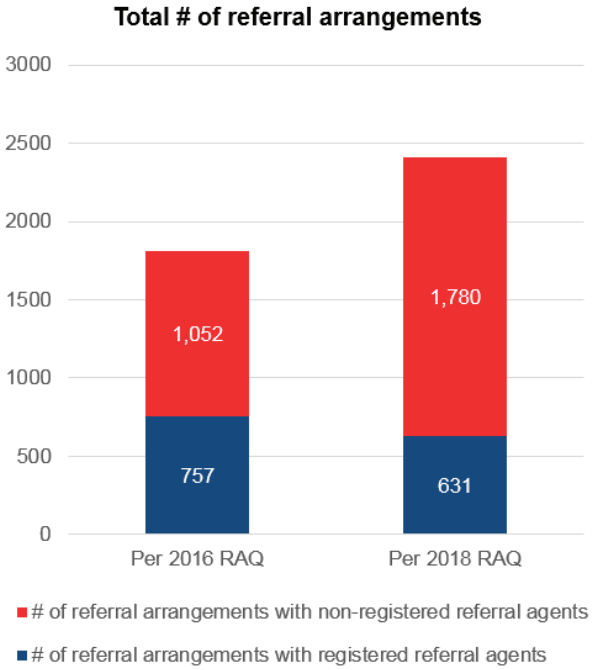
Legislative reference and guidance

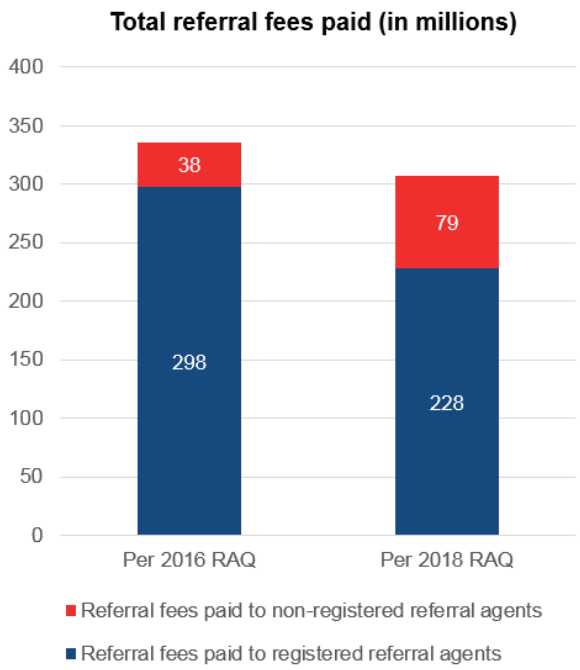
- Part 11 – Division 1 *Compliance* of **NI 31-103** and related **NI 31-103CP**
- Section **116 of the Act**

e) Referral arrangements (PM / EMD / SPD)

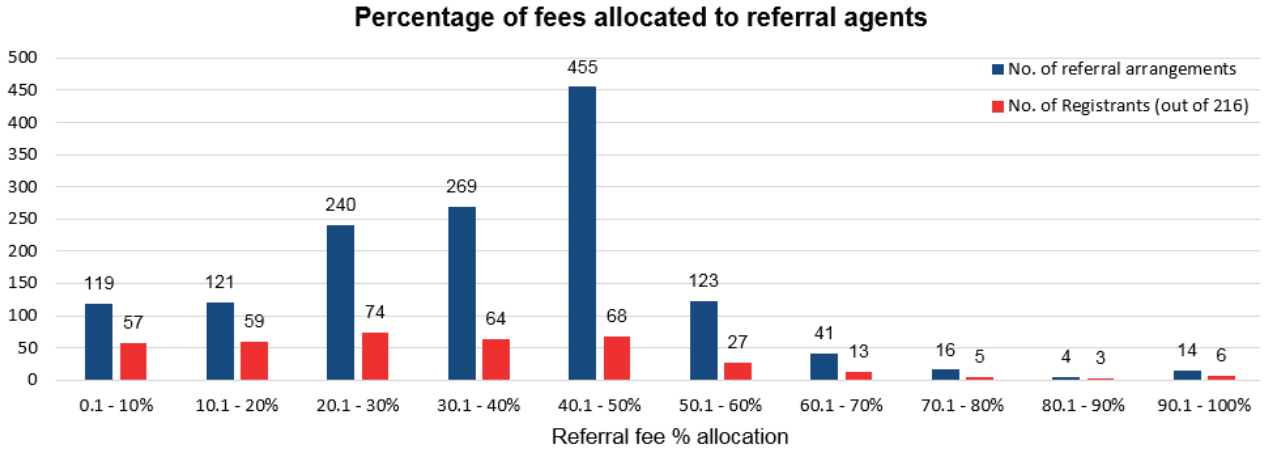
During the year we continued to assess the nature and extent of the use of referral arrangements by registrants and the structure of referral fee payments. The following graphs are derived from data gathered from our 2016 and 2018 RAQ processes and illustrate trends in the space. Specifically:

- there has been a 69% increase in the number of referral arrangements entered into with non-registered referral agents in 2017 when compared to 2015,
- 74% of the referral arrangements in 2017 were entered into with non-registered parties in comparison to 58% in 2015,
- the amount of referral fees made to non-registered referral agents has increased 108% to $79m in 2017 from $38m in 2015, and
- the percentage of referral fees made to non-registered referral agents over the total of referrals paid increased to 26% in 2017 from 11% in 2015.





In addition, based on responses to the 2018 RAQ, 216 of the 280 firms (or 77%) who entered into a referral arrangement reported that referral agents were compensated on an ongoing basis and, in some cases (approximately 14%), referral agents received over 50% of the fees earned by the registrants as illustrated in the following chart:



e) Referral arrangements (cont'd)

i) Oversight of referral agents

During the referral sweep, we found some referral agents continue to be involved in servicing clients that have been referred to a registered firm. We continue to be concerned that referral agents are conducting activities that require registration under securities law or are representing themselves as being able to perform registerable activities. To mitigate against these inherent risks, registrants should develop and execute policies and procedures to proactively monitor and assess if referral agents are conducting themselves as agreed upon in the referral arrangement agreement.

PMs, EMDs and SPDs should:

- develop policies and procedures specific to the oversight of referral agents that:
  - define the responsibilities of the referral agent,
  - define the activities a referral agent is prohibited from conducting,
  - provide training on a periodic basis to referral agents on their roles and responsibilities within the arrangement,
  - monitor the referral agent's relationship with referred clients to determine whether the referral agent is performing an activity that requires registration,
  - evaluate how referral agents are marketing their services (for example, through a website or social media) to assess the adequacy of disclosure explaining the services offered under the referral arrangement, and
  - address cases in which it is determined that a referral party is performing an activity that requires registration.

(ii) Reducing client confusion about the roles and responsibilities of referral parties

A common theme we noted as a result of speaking to clients was that many continued to interact primarily with the referral agent and were unsure about the role of the registrant. In these situations, communications between the registered individual and the referred client were typically infrequent. Further, we found that the majority of referred clients had a long-term relationship with their referral agent before they were introduced to the registrant. As a result of the continuing relationship between the referral agent and the client, we found that:

- communications between registered individuals and clients were typically not in person, but rather through telephone calls or email. These communications were infrequent throughout the year, which created a challenge for registered individuals to truly establish a relationship with the referred client.,
- clients primarily communicated with referral agents even on topics that should have been discussed with the registered individual (e.g., questions about portfolio holdings, questions about the client's account and changes in a client's KYC information), and
- in some cases, the nature of the relationship resulted in undue reliance by the registered individual on the referral agent to transfer client information on matters that required a registered individual's involvement.

In combination, these practices can lead to client confusion and make it difficult for referred clients to "know" their advising representative or dealing representative, and more importantly, understand the roles and responsibilities of both the registered individual servicing their investment accounts and the referral agent.

e) Referral arrangements (cont'd)

PMs, EMDs and SPDs should:

- monitor the effectiveness of the firm's policies and procedures regarding oversight of referral agents,
- take steps to develop a relationship with referred clients so these clients understand the registrant's role,
- develop specific policies and procedures to mitigate against and address client confusion, including procedures to:
    - identify and monitor confusion amongst the firms' clients on an ongoing basis,
    - resolve instances where clients continue to remain confused about the role of the registrant and/or referral agent,
    - address situations in which a referral party's actions have led to the client confusion, and
    - address situations in which a registered individual's actions have led to the client confusion.

Legislative reference and guidance

- Section 11.1 – *Compliance system* of NI 31-103 and related NI 31-103CP
- Sections 13.2 *Know your client* and 13.3 *Suitability* of NI 31-103 and related NI 31-103CP
- Part 13 - Division 3 *Referral arrangements* of NI 31-103 and related NI 31-103CP
- Section 4.2(a)(iii) - *Referral arrangements and finders* of OSC Staff Notice 33-745 *Annual Summary Report for Dealers, Advisers and Investment Fund Managers*
- Section 4.3.1 - *Delegating KYC and suitability obligations to referral agents* of OSC Staff Notice 33-742 *2013 Annual Summary Report for Dealers, Advisers and Investment Fund Managers*

f) Compensation and incentive practices

During our compensation and incentive practices review, we did not identify any serious non-compliance issues as registrants appeared to have adequate controls to address compensation-related conflicts such as:

- use of both quantitative (e.g., AUM level, client billings) and qualitative factors (e.g., leadership skills, client feedback) to determine bonuses for employees,
- use of a rolling period (e.g., one year) to determine the AUM for calculating bonuses,
- use of a product-neutral grid (e.g., commission rates remain the same regardless of product(s) distributed),
- use of claw-back provisions to address issues such as non-compliance or client complaints,
- reviewing accounts having similar mandates to identify performance outliers that may indicate the potential risk of advising representatives chasing investment performance to increase their compensation,
- reviewing and monitoring accounts on an ongoing basis to ensure investment portfolios remain aligned with clients' investment objectives and risk parameters, and
- requiring that the Board of Directors or risk committee review the compensation practices at least annually to ensure that controls remain effective to address compensation-related conflicts.

We would like to remind firms of their obligation to review their compensation arrangements and incentive practices to ensure compliance with the requirements set out in Part 13 of NI 31-103. These include:

- identifying conflicts of interest that should be avoided,
- determining the level of risk that a conflict of interest raises, and
- responding appropriately to conflicts of interest.

Legislative reference and guidance

- Part 13 - Division 2 *Conflicts of interest* of NI 31-103 and related NI 31-103CP
- CSA Staff Notice 33-318 *Review of Practices Firms Use to Compensate and Provide Incentives to their Representatives*

Part 3

INITIATIVES IMPACTING REGISTRANTS

3.1 Derivatives regulation

CRR staff have been working with the Derivatives Branch to develop a number of rules relating to the regulation of derivatives, including proposed rules that will set out the principal business conduct and registration requirements and exemptions for derivatives dealers and derivatives advisers (collectively, **derivatives firms**). We are developing these rules to help protect investors, reduce risk, improve transparency and accountability, and to implement a comprehensive regime for the regulation of persons or companies that are in the business of trading derivatives and in the business of advising on derivatives.

On April 19, 2018, the CSA published for comment **Proposed National Instrument 93-102 Derivatives: Registration** and a related companion policy. Similarly, on June 14, 2018 the CSA published for a second comment period **Proposed National Instrument 93-101 Derivatives: Business Conduct** and a related companion policy for a second comment period. We are continuing to review the comments received on these proposed rules in consultation with our CSA colleagues.

In addition, CRR staff continue to work with the Derivatives Branch on the implementation of other rules relating to derivatives, including conducting compliance reviews of derivatives firms in connection with their compliance with OSC Rule 91-507 *Trade Repositories and Derivatives Data Reporting* and National Instrument 94-102 *Derivatives: Customer Clearing and Protection of Customer Collateral and Positions.*

3.2 Modernization of investment fund product regulation

On October 4, 2018, the CSA published a notice of amendments to NI 81-102 and other instruments relating to the establishment of a regulatory framework for alternative mutual funds (collectively, the **Alternative Fund Amendments**). The Alternative Fund Amendments came into force on January 3, 2019.

The Alternative Fund Amendments reflect the CSA's efforts to modernize the investment fund regulatory regime in Canada and more specifically to help facilitate the introduction of more alternative and innovative strategies typically associated with "liquid alternative" funds, in the retail investment space, while maintaining appropriate restrictions on the use of those strategies. The key aspect of the Alternative Fund Amendments is the establishment of a new category of mutual fund called "alternative mutual funds". This replaces the old category of commodity pool resulting in existing commodity pools becoming alternative mutual funds. Alternative mutual funds differ from more conventional mutual funds primarily in the ability to make greater use of leverage, including through direct borrowing and margin, increased short selling and the use of derivatives.

The Alternative Fund Amendments include alternative mutual fund-specific prospectus and financial reporting disclosure requirements. The Alternative Fund Amendments also include changes for conventional mutual funds to permit limited exposure to alternative mutual fund strategies through fund of fund investing and to codify certain exemptive relief routinely granted to those funds.

For more information, see the **CSA Notice of Amendments Modernization of Investment Fund Product Regulation - Alternative Mutual Funds,** published on October 4, 2018.

In addition, an overview of the Alternative Fund Amendments may be found in the Registrant Outreach Session, available at the following link: **www.osc.gov.on.ca/documents/en/Dealers/ro_20190514_alternative-funds.pdf**

3.3 Syndicated mortgages

On March 8, 2018, the CSA published for comment **proposed amendments** to both NI 31-103, NI 45-106 and NI 45-106CP relating to the transfer of regulatory oversight of syndicated mortgage investments from the Financial Services Commission of Ontario to the OSC (the **2018 Proposal**).

We received a number of comment letters in response to the 2018 Proposal. Considering the comments received, on March 15, 2019, the CSA published for comment **revised proposed amendments** to NI 31-103, NI 31-103CP, NI 45-106 and NI 45-106CP (the **2019 Proposal**). The proposed changes include the following:

- removing the registration and prospectus exemptions for "non-qualified" syndicated mortgages in Ontario and certain other jurisdictions,
- providing additional guidance in NI 31-103CP with respect to the "relevant securities industry experience" requirement for firms and individuals that previously relied on a registration exemption,
- introducing additional requirements to the OM prospectus exemption under section 2.9 of NI 45-106 that apply when the exemption is used to distribute syndicated mortgages, and
- amending the private issuer prospectus exemption under section 2.4 of NI 45-106 so that it is not available for the distribution of syndicated mortgages.

The proposed amendments are expected to come into effect on December 31, 2019. The comment period for the 2019 Proposal ended May 14, 2019. The CSA is reviewing the comments received and plans to publish a final notice of amendments after the review is complete.

3.4 Consequential custody amendments

On March 14, 2019, the CSA published (in final form) **custody-related amendments** to NI 31-103 which came into force on June 12, 2019 (the **2019 Custody Amendments**). The 2019 Custody Amendments were published for comment by the CSA on October 25, 2018; the comment period ended on December 24, 2018 and no comments were received.

The purpose of the 2019 Custody Amendments is to continue to align the permissible custodial practices in section 14.6.1 of NI 31-103 with the similar permitted custodial practices for investment funds in subsection 6.8(2) of NI 81-102. Subsection 6.8(2) of NI 81-102 was amended on January 3, 2019 and it addresses which entities may hold portfolio assets as margin for certain derivatives transactions outside Canada.

The custody provisions in NI 31-103 have generally permitted the same types of custodians to hold assets for prospectus-exempt funds as are permitted for prospectus-qualified funds (**Retail Funds**), except where there is a policy justification to allow additional custodians for prospectus-exempt funds.

In part, the amendments to subsection 6.8(2) of NI 81-102 broadened the pool of entities that may hold portfolio assets of Retail Funds as margin by allowing Retail Funds to deposit portfolio assets with members of regulated clearing agencies in respect of certain prescribed margin transactions. These additional entities, and the dealers that are currently permitted to act as custodians in NI 81-102, will also be able to hold assets deposited with them in respect of an additional type of margin transaction, namely, transactions involving cleared specified derivatives. The 2019 Custody Amendments will provide continued alignment with the custody provisions in NI 81-102.

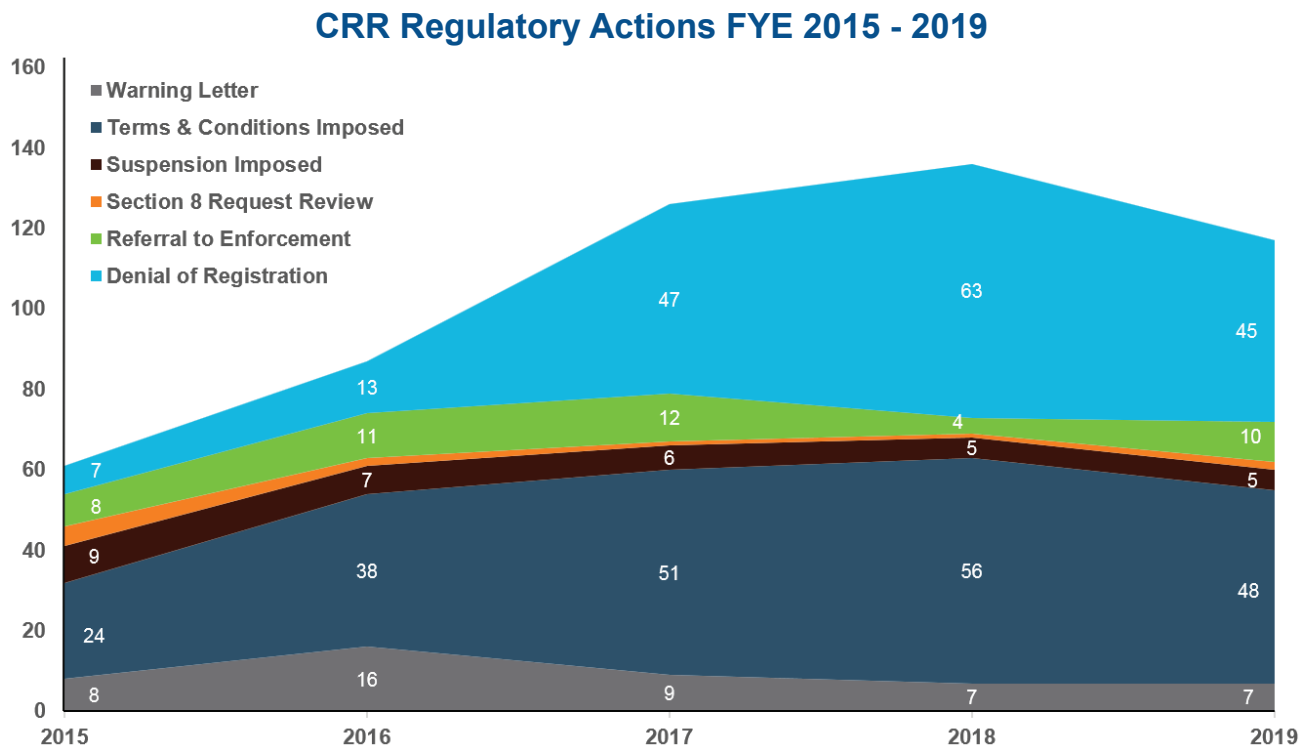
Part 4 ACTING ON REGISTRANT MISCONDUCT

4.1 Annual highlights and trends

The Registrant Conduct Team within the CRR Branch is responsible for investigating conduct issues involving individual and firm registrants, recommending regulatory action where appropriate, and conducting Opportunity to be Heard (**OTBH**) proceedings before the Director. Potential registrant misconduct is identified through compliance reviews, applications for registration, disclosures on NRD, and by other means such as complaints, inquiries or tips.

Acting on registrant misconduct matters is central to effective compliance oversight. It also promotes confidence in Ontario's capital markets, both among the investing public and among the registered firms and individuals who make best efforts to comply with Ontario securities law. Registrants must remain alert and monitor for potential misconduct by enacting and implementing appropriate policies and procedures, and ensuring that controls are in place to detect and address instances of misconduct.

The following chart summarizes the regulatory actions taken by CRR staff against firms or individuals engaged in registrant misconduct or serious non-compliance with Ontario securities law.



CRR is continually improving our information tools, which are used to identify high-risk registrants and applicants for registration. This has resulted in a trend to increased regulatory actions over the past five years. Sources of information include our risk-based compliance reviews, background and solvency checks on individual registrants or individual applicants, responses to the RAQ, external contacts received by OSC staff, and referrals from SROs and other organizations.

The chart illustrates that CRR makes use of regulatory actions along the compliance-enforcement continuum, the action being commensurate with the magnitude of misconduct or non-compliance in a given situation. Terms and conditions, denials of registration, and suspensions of registration are all tools available to CRR staff to address serious non-compliance. Referrals are made to the Enforcement Branch in cases where the appropriate tool is a power that can only be exercised by the Commission.

The statistical reduction in denials of registration from 63 in fiscal 2017/2018 to 45 in fiscal 2018/2019 reflects a recordkeeping change. This category of regulatory action no longer includes situations where a firm withdraws an individual's application for registration before the matter has been assigned to staff of the Registrant Conduct Team.

In more serious cases, registered firms may decide not to continue sponsoring registration for individuals who are subject to a conduct review by staff. Typically, this involves conduct that might result in staff recommending suspension. In these situations, we characterize the outcome as an "avoided suspension". During the past fiscal year, there were six avoided suspension matters in which the firms terminated their sponsorship of the particular registered individuals, in addition to the five registration suspensions noted in the chart.

Referrals to the Enforcement Branch increased to ten in fiscal 2018/2019 from four in fiscal 2017/2018 as a result of our registration and compliance review activity.

One example of a referral made by CRR to the Enforcement Branch was in the matter of **Clifton Blake Asset Management Ltd., et al.** in which the Commission issued an order on March 28, 2019 approving a settlement agreement between Enforcement Staff and the individual and corporate respondents. The respondents were in the business of trading in the securities of a mortgage investment entity (**MIE**), Clifton Blake Mortgage Fund Trust, and sold approximately $25 million worth of these securities to approximately 144 investors. Those activities required registration pursuant to the registration requirements in the Act and in NI 31-103. The respondents were not registered with the OSC and, among other violations of Ontario securities law, failed to ensure that the investments were suitable for their investors. The settlement agreement required the respondents to pay an administrative penalty of $100,000 and to honour requests from certain investors to redeem their securities.

In the past, Enforcement staff have entered into settlement agreements with other MIEs, mortgage brokers, administrators and their principals involved in trading in securities without registration. Those settlements involved substantial penalties and costs being levied against businesses and individuals, as well as the requirement to reimburse investors. For example, in February 2016, the Commission approved a settlement in the matter of **Liahona Mortgage Investment Corp., et al.** pursuant to which the respondents were required to pay an administrative penalty of $50,000 and costs of $45,000. The various settlement agreements demonstrate that the OSC continues to enforce compliance with the registration requirements as they apply to the MIEs, and that the associated monetary penalties have increased over time.

As the Commission recently stated in another decision:

Registration is another cornerstone of Ontario securities law. It protects investors and promotes confidence in the capital markets by seeking to ensure that those who sell or promote securities are proficient and solvent and that they act with integrity. When an unregistered individual or firm engages in activity that requires registration, the individual or firm defeats some of the necessary legal protections, shields the activity somewhat from regulatory monitoring, puts investors at risk, and undermines the integrity of the capital markets.[1]

[1] *Meharchand (Re)*, 2019 ONSEC 7, para. 47.

4.2 Opportunity to be Heard (OTBH) process

Before a Director of the OSC imposes terms and conditions on registration, refuses an application for registration, or suspends a registration, an applicant or registrant has the right under section 31 of the Act to request an OTBH before the Director. A registrant or applicant may also request a hearing and review by the Commission of a Director's decision under section 8 of the Act.

DIRECTOR'S DECISIONS

Director's decisions on OTBH proceedings are published in the OSC Bulletin and on the OSC website at **Director's Decisions**, where they are presented by topic and by year. Director's decisions can be used as an important resource for registrants, as they highlight matters of concern to the OSC, as well as the regulatory action that may be taken as a result of misconduct and non-compliance. The publication of Director's decisions also ensures that CRR's response to serious misconduct is visible to market participants and investors.

Eight Director's decisions were published in the fiscal year 2018/2019 on registrant conduct issues. Two decisions followed contested OTBHs, and one decision approved staff's recommendation in respect of a registrant who did not request an OTBH. The remainder of the Director's decisions were made on a basis of joint recommendations made to the Director by staff and registrants pursuant to settlement agreements. A settlement agreement typically contains an agreed statement of facts in addition to a joint recommendation to the Director. Therefore, proceeding by way of a joint recommendation with staff allows the registrant to participate in setting out the factual narrative that becomes the basis for the Director's decision.

In three of the decisions, registrants were suspended as a result of their failure to comply with the terms and conditions of their registration. Specifically, these registrants were required to complete a course by a specified deadline. Staff reminds registrants that failure to comply with terms and conditions of registration can lead to a suspension. Further, if a registrant is required to complete a course or satisfy terms and conditions by a certain deadline, the sponsoring firm should have appropriate controls and supervision in place to ensure that the required activity occurs within the specified time period.

The Registrant Conduct Team continues to investigate instances where registrants failed to make the required criminal disclosure, the consequences of which may include regulatory action such as suspension of registration. See, for example, the summary of the Director's decisions regarding Todd Milligan and Glenn Coulson in the *Cases of Interest* section below. In the latter decision, the registrant did not make a required disclosure to staff regarding a criminal charge, relying on the advice of his criminal lawyer who had no experience in securities law and with whom the registrant did not discuss the specific disclosure obligation. As part of the settlement agreement with staff, the registrant admitted that his reliance on the advice of his criminal lawyer was not reasonable. While the Director accepted the joint recommendation on the basis of the agreed facts and admissions, rather than make findings on this issue, the decision nevertheless highlights that reliance on legal advice in not making a required disclosure, and whether such reliance is reasonable, should be considered in light of the expertise of the lawyer and the nature of the advice requested and given.

4.3 Cases of interest

DIRECTOR'S DECISIONS AND SETTLEMENTS BY TOPIC

Todd Milligan (May 30, 2018)

Topic: Misleading Staff or sponsor firm

Mr. Milligan was a registered mutual fund dealing representative. On February 26, 2016, Mr. Milligan was informed by the police that he was going to be charged with disobeying a court order. After an administrative delay, Mr. Milligan was charged on May 4, 2016. On July 20, 2016, Mr. Milligan pled guilty to the charge and received a conditional sentence. Mr. Milligan did not report either the charge or the disposition on NRD as required by Ontario securities law. Staff subsequently became aware of the charges and recommended to the Director that Mr. Milligan's registration be suspended for failing to comply with his disclosure obligation. Following an OTBH, the Director suspended Mr. Milligan for a period of three months.

Anna Joanna Knight (July 13, 2018)

Topics: Reliance on prospectus exemptions; Trading or advising without appropriate registration; Conflicts of interest; and KYC, KYP, and suitability

Ms. Knight, a dealing representative in the category of MFD and EMD, applied to reactivate her registration on September 21, 2017 with a new sponsoring firm. At that time, she was under investigation by the MFDA for using two pre-signed forms and selling a small amount of an off-book product at her former firm. Her former firm and its principals were also under investigation by the MFDA for serious breaches of Ontario securities law including the off-book sale of the same exempt product sold by Ms. Knight. Ms. Knight knew that the principals of her firm controlled the issuer but did not disclose the conflict of interest to her clients. Ms. Knight also sold the product to two clients who were not qualified to purchase a prospectus-exempt product and to clients for whom it was not suitable.

In February 2016, Ms. Knight was issued a warning letter by the MFDA for using copied and altered forms in 2014 and signed an undertaking to her firm promising not to use pre-signed forms, photocopied forms or altered forms. Despite this, two pre-signed forms were found during the MFDA field review of Ms. Knight's former firm in November 2016. The field review also revealed that Ms. Knight had advised clients to sell exchange-traded securities when she was not registered as an adviser, and where no exemptions from the adviser registration requirement were available to her.

Following settlement discussions, Ms. Knight agreed to withdraw her application and only submit a further application for registration as a mutual fund dealing representative following a full audit report of Ms. Knight's Certified Financial Planner business and licensed insurance business covering a specified period. Ms. Knight was also required to complete two courses prior to reapplying for registration and agreed that she would be under strict supervision for at least one year and ineligible to apply for registration as an exempt market dealing representative while under strict supervision.

Ms. Knight has since reapplied for registration as a mutual fund dealing representative, having complied with the terms of the settlement agreement, and her application was approved subject to the terms and conditions set out above.

Antonetta Adebayo (July 16, 2018)

Topics: Compliance with terms and conditions of registration; Courses for proficiency requirement

Ms. Adebayo was registered as a mutual fund dealing representative. On August 2, 2017, terms and conditions were imposed on Ms. Adebayo's registration, to which she consented, due to Staff's concerns with her solvency and a failure to disclose a personal business, a direction to pay the Canada Revenue Agency, and a consumer proposal. The terms and conditions required Ms. Adebayo to complete the Conduct and Practices Handbook Course (the **CPH**) no later than April 30, 2018 as well as close supervision on her registration for a minimum of one year.

As of June 11, 2018, Ms. Adebayo had not complied with the terms and conditions, having not received a passing grade on the CPH. As a result, and given Ms. Adebayo's failure to disclose the required financial information, it was staff's view that Ms. Adebayo lacked the proficiency required of a registered individual. Staff was also of the view that by failing to satisfy the terms and conditions, Ms. Adebayo failed to comply with Ontario securities law and rendered her registration objectionable. Ms. Adebayo did not request an OTBH, and the Director suspended Ms. Adebayo's registration, as recommended by staff.

Karine Brizard (July 18, 2018)

Topics: Compliance with terms and conditions of registration; Courses for proficiency requirement

Ms. Brizard was registered as a mutual fund dealing representative. In September 2017, terms and conditions were imposed on Ms. Brizard's registration, to which she consented, due to staff's concerns related to Ms. Brizard's insolvency and ongoing consumer proposal as well as her failure to disclose an earlier bankruptcy. The terms and conditions required Ms. Brizard to complete the CPH within six months as well as close supervision on Ms. Brizard's registration. Ms. Brizard failed to complete the CPH before the deadline, and after requesting and being granted two extensions by staff to write the CPH exam, she failed two additional attempts after the deadline. As a result, staff recommended that Ms. Brizard's registration be suspended.

Following an OTBH, the Director determined that Ms. Brizard's registration should be suspended on the basis that she did not comply with the terms and conditions of her registration by failing to successfully complete the CPH within the required timeframe. The Director also took into account Ms. Brizard's failure to meet her ongoing registration obligations by not disclosing her bankruptcy which was material to her solvency and suitability for registration. The decision also provided that Ms. Brizard could reapply to be registered if she completed the CPH.

Chris Triantos (August 31, 2018)

Topic: Compliance with terms and conditions of registration

Mr. Triantos was a registered mutual fund dealing representative. In October 2017, the Director imposed terms and conditions on Mr. Triantos's registration that, among other things, required him to successfully complete the CPH by April 26, 2018. Mr. Triantos wrote the CPH exam on April 26, 2018, but did not achieve a passing mark. Prior to informing staff of his unsuccessful attempt at the exam, Mr. Triantos registered to re-write it on May 25, 2018, and at staff's request, his sponsor firm prohibited him from trading in securities pending the outcome of his second attempt at the exam. Mr. Triantos did not pass the exam on his second attempt, or on a third attempt on July 28, 2018. The Director approved a settlement agreement pursuant to which Mr. Triantos's registration was suspended. The settlement agreement provided that Mr. Triantos could apply to reactivate his registration if he successfully completed the CPH or the Ethics and Professional Conduct Course.

Glenn Coulson (October 16, 2018)

Topic: Misleading Staff or sponsor firm

Mr. Coulson was a registered mutual fund dealing representative. Shortly after becoming registered in August 2015, Mr. Coulson was charged criminally in relation to conduct that had occurred several years before he became a registrant. The charges were laid in September 2015. Ontario securities law required that Mr. Coulson disclose the charges on NRD within 10 days of their occurrence, however he did not comply with this requirement. Mr. Coulson received an absolute discharge in August 2017, and informed his sponsor firm about the charges in December 2017 (the firm subsequently disclosed the charges on NRD on Mr. Coulson's behalf). Between the date he was charged and the date of his absolute discharge, Mr. Coulson completed two annual certifications for his sponsor firm in which he indicated that his regulatory disclosure was up-to-date. Mr. Coulson did not make the required disclosure to staff, or to his sponsor firm, because his criminal lawyer had instructed him not to discuss the matter with anyone. However, the lawyer had no experience in securities law, and Mr. Coulson did not discuss the specific disclosure obligation with him. The Director approved of a settlement agreement pursuant to which Mr. Coulson's registration was suspended for a period of two months as a result of his failure to comply with his disclosure obligation.

Donald Mason (October 29, 2018)

Topic: Duty to supervise

Mr. Mason, a registered mutual fund dealing representative, was the subject of a November 30, 2017 Director's Decision imposing terms and conditions by which Mason was restricted from acting as a dealing representative with members of the church (or their families) where he acted as lay minister. The Commission dismissed Mr. Mason's request for a stay of the Director's Decision pending a hearing and review which he had requested.

The parties agreed to settle the matter prior to the hearing and review commencing. Mr. Mason agreed to narrower terms and conditions restricting him from dealing with individuals (and their families) whom he visited in a caregiving role pursuant to his Christian Worker's licence. Mr. Mason was not restricted from dealing with church members generally, given his non-leadership role at the church and that he would only deliver messages to the church infrequently and at the direction of the pastor. The Director approved this joint recommendation and the revised terms and conditions took effect.

Maria Psihopedas (November 21, 2018)

Topic: Duty to supervise

This case was the settlement of an application for a hearing and review of a decision of the Director to refuse Ms. Psihopedas's registration as a mutual fund dealing representative. In March 2018, following an OTBH, the Director refused Ms. Psihopedas's application for registration on the basis that she had misrepresented the sentence imposed on her by a court following a criminal case against her. Ms. Psihopedas applied for a hearing and review of the Director's decision, and before that hearing was held, Ms. Psihopedas obtained new evidence that provided a reasonable explanation for why she had misrepresented her sentence. The matter was therefore remitted back to the Director for her consideration, together with a joint recommendation from Staff and Ms. Psihopedas that she be granted registration, subject to terms and conditions that she complete the Ethics and Professional Conduct Course. The Director accepted the joint recommendation.

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Ontario

1.1.2 CSA Staff Notice 51-358 – Reporting of Climate Change-related Risks

CSA Staff Notice 51-358 – *Reporting of Climate Change-related Risks* is reproduced on the following separately 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 Staff Notice 51-358
Reporting of Climate Change-related Risks

August 1, 2019

Executive summary

The focus on climate change-related issues in Canada and internationally has grown rapidly in recent years. In order to make informed investment and voting decisions, investors, particularly institutional investors, are seeking improved disclosure on the material risks, opportunities, financial impacts and governance processes related to climate change.

Securities legislation in Canada requires reporting issuers[1] (**issuers**) to disclose the material risks affecting their business and, where practicable, the financial impacts of such risks.[2] Although climate change-related risks are expected to be more pervasive than some other types of risk, they can be difficult to assess and quantify as they may be subject to greater uncertainty.

We recognize that, while disclosure of material climate change-related risks is important for investors to make informed investment decisions, this disclosure presents challenges and other potential burdens for all issuers, especially smaller issuers with more limited resources. The key objective of this notice is to provide issuers, particularly smaller issuers, with guidance as to how they might approach preparing disclosures of material climate change-related risks. In particular, the guidance contained in this notice is primarily focused on issuers' disclosure obligations as they relate to the MD&A and AIF. For purposes of those forms, information is likely material if a reasonable investor's decision whether to buy, sell or hold securities in an issuer would likely be influenced or changed if the information in question was omitted or misstated. Securities legislation imposes a different test for materiality in certain other contexts, and issuers should consider the applicable test when preparing disclosure in respect of climate change-related information or other information.

In addition to addressing regulatory requirements, these disclosures provide issuers with an opportunity to inform investors about the sustainability of their business model and to provide insights into how they are mitigating and adapting to these risks.

This notice does not create any new legal requirements or modify existing ones. It reinforces and expands upon the guidance provided in CSA Staff Notice 51-333 *Environmental Reporting Guidance* (**SN 51-333**) and should be read in conjunction with SN 51-333, which continues to

[1] In this notice, references to reporting issuers refer to reporting issuers other than investment funds.
[2] See section 5.2 of Form 51-102F2 *Annual Information Form* (the **AIF** or **Form 51-102F2**) and section 1.4(g) of Form 51-102F1 *Management's Discussion and Analysis* (the **MD&A** or **Form 51-102F1**).

provide guidance to issuers on existing continuous disclosure requirements relating to a broad range of environmental matters, including climate change.

Staff of the Canadian Securities Administrators (**Staff** or **we**) encourage boards of directors (**boards**) and senior management (**management**) of issuers to review this notice as it:

- provides an overview of the responsibilities of boards and management relating to risk identification and disclosure;
- outlines relevant factors to consider in assessing the materiality of climate change-related risks;
- provides examples of some of the types of climate change-related risks to which issuers may be exposed;
- includes questions for boards and management to consider in the climate change context; and
- provides an overview of the disclosure requirements if an issuer chooses to disclose forward-looking climate change-related information.

Why this guidance?

Climate change-related risks are a mainstream business issue. Issuers should consider these risks as part of their ongoing risk management and disclosure processes and they must disclose any such risks that are material to their business. Like other business risks, the materiality of climate change-related risks varies among industry sectors and issuers within those sectors.

This notice has been motivated by three key factors:

- Increased investor interest – Over the past several years, many investors, particularly institutional investors, have become increasingly focused on climate change-related risks and have expressed concerns that they are receiving insufficient disclosure of these risks from issuers. Securities regulators have a role to play in assisting issuers in their efforts to provide investors with the material information they reasonably need to make informed investment and voting decisions.
- Room for improvement in disclosure – Based on our reviews of the disclosure of a sample of TSX-listed issuers, we noted variations in disclosure practices.[3] Of the 78 issuers we reviewed, 22% provided boilerplate disclosure on climate change-related risks and another

[3] The detailed results of our review are summarized in CSA Staff Notice 51-354 *Report on Climate change-related Disclosure Project* (**SN 51-354**).

22% provided no disclosure at all. The disclosures lacked comparability among issuers and in some instances omitted information necessary to provide sufficient context for the disclosure.

- Domestic and global developments – We have observed growing interest by stakeholders, including Canadian issuers and institutional investors, in voluntary disclosure frameworks, such as the Climate Risk Technical Bulletin published by the Sustainability Accounting Standard Board (**SASB**) published in October 2016 (the **SASB Framework**), and the final recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (**TCFD**) published in June 2017 (the **TCFD Recommendations**). The TCFD Recommendations contemplate voluntary disclosure in four areas: governance, strategy, risk management and metrics and targets. We have also noted a number of global and domestic initiatives since the publication of SN 51-354 which acknowledge the importance of climate change-related risks.[4]

This guidance is intended to assist issuers, including their boards and management, to identify material climate change-related risks and to improve their disclosure of such risks. Disclosure of climate change-related risks provides an opportunity for issuers to explain to existing and potential investors how they are adapting their business model to any material risks that they are facing and to address questions regarding the sustainability of the business model.

Why this Guidance? | Board and Management | Materiality | Climte Change-related Risks | Voluntary Disclosure | Forward-looking Information

What are the roles and responsibilities of the board and management?

The **board** (including, for some responsibilities, its **audit committee**) has a role in strategic planning, risk oversight and the review and approval of an issuer's annual and interim regulatory filings.

- Strategic planning – The board should adopt a strategic planning process and approve a strategic plan which takes into account, among other things, the opportunities and risks of the business.[5]

- Risk oversight – The board should adopt a written mandate explicitly acknowledging its responsibility for, among other things, identification of the principal risks of the issuer's

[4] In Canada, the Bank of Canada has recently issued a report which identifies climate change as one of the vulnerabilities in the Canadian financial system and the Government of Canada's Expert Panel on Sustainable Finance has published its final report which includes recommendations on issues related to sustainable finance, including climate change-related disclosure. Internationally, the International Organization of Securities Commissions recently published a statement on disclosure of environmental, social and governance matters by issuers and there are many ongoing policy initiatives focused on climate change and capital markets, such as the ongoing work of the TCFD and the Central Banks' and Supervisors' Network for Greening the Financial System.
[5] See paragraph 3.4(b) of National Policy 58-201 *Corporate Governance Guidelines* (**NP 58-201**).

business and ensuring the implementation of appropriate systems to manage these business risks.[6]

- Review and approval of disclosure –

    - The audit committee is required to review an issuer's financial statements and MD&A before the issuer publicly discloses this information. The audit committee must be satisfied that adequate procedures are in place for the review of the issuer's public disclosure of financial information extracted or derived from the issuer's financial statements (other than the issuer's financial statements, MD&A and annual and interim earnings press releases) and must periodically assess the adequacy of those procedures.[7]

    - The board must approve the annual and interim financial statements and MD&A. The board may delegate approval of interim financial statements and MD&A to its audit committee.[8]

Management also has a key role to play in risk management and the preparation of the issuer's annual and interim regulatory filings.

- Risk management – It is management's responsibility to implement systems to manage business risks.

- Preparation and certification of disclosure –

    - Management is responsible for preparing the issuer's annual and interim regulatory filings.

    - Certifying officers[9] must certify, among other things, that the issuer's financial statements and the other financial information included in the issuer's MD&A and AIF, if applicable, fairly present, in all material respects, the issuer's financial condition, financial performance and cash flows.[10]

Why is this relevant in the context of climate change-related risks?

Climate change-related risks and their potential financial impacts are mainstream business issues. However, they may differ from many other business risks because their impacts may be uncertain and are expected to develop over time. Despite the potential uncertainties and longer time horizon associated with climate change-related risks, boards and management should take appropriate steps to understand and assess the materiality of these risks to their business. This assessment should

[6] See paragraph 3.4(c) of NP 58-201.
[7] See subsections 2.3(5) and 2.3(6) of National Instrument 52-110 *Audit Committees*.
[8] See sections 4.5 and 5.5 of National Instrument 51-102 *Continuous Disclosure Obligations* (**NI 51-102**).
[9] The term "certifying officers" has the meaning given to it in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* (**NI 52-109**) and generally means the CEO and CFO.
[10] See Part 2 of NI 52-109.

extend to a broad spectrum of potential climate change-related risks over the short-, medium- and long-term.

What does this mean for boards and management?

We encourage the board and management to assess their expertise with respect to sector specific climate change-related risks. This will enable them to ask the right questions about climate change-related risks and opportunities, and make informed decisions about both risk management and disclosure.

In preparing and approving risk disclosure, we encourage the board and management to avoid vague or boilerplate disclosure. Relevant, clear and understandable entity-specific disclosure will help investors understand how the issuer's business is specifically affected by all material risks resulting from climate change. This risk disclosure should provide context for investors about how the board and management assess climate change-related risks.

Below are select questions for boards and management to help inform their consideration of material climate change-related risks.[11] Discussion and analysis of the following questions may be helpful in evaluating and preparing appropriate climate change-related risk disclosures.

Select questions for boards

- *Is the board provided with appropriate orientation and information to help members understand sector specific climate change-related issues?*
- *Has the board been provided sufficient information, including management's materiality assessments in respect of the issuer's climate change-related risks, to appropriately oversee and consider management's assessment of these risks?*
- *Is the board comfortable with the methodology used by management to capture the nature of climate change-related risks and assess the materiality of such risks?*
- *Is the board aware of how their investors are factoring climate change-related risks into their investment and voting decisions?*
- *Is oversight and management of climate change-related risks and opportunities integrated into the issuer's strategic plan, and if so, to what extent?*
- *Has the board considered the effectiveness of the disclosure controls and procedures in place in relation to climate change-related risks?*

[11] These questions have been derived from the *Engagement Guide for Asset Owners & Asset Managers* published by SASB and CPA Canada's *Climate Change Briefing: Questions for Directors to Ask.*

Select questions for management

- *Does management have, or have access to, the appropriate expertise to understand and manage material climate change-related risks that may affect the issuer?*
- *Has management appropriately considered how each of the different categories of climate change-related risks may affect the issuer (e.g., physical and transition risks)?*
- *Has management considered which business divisions or units have responsibility for identifying, disclosing and managing material climate change-related risks and what their reporting lines are to senior management? To what extent are these responsibilities integrated with mainstream business processes and decision-making?*
- *Is management aware of current climate change-related litigation which may pose a litigation threat to the issuer now or in the future?*
- *Has management implemented effective systems, procedures and controls to gather reliable and timely climate change-related information for purposes of management analysis, decision-making and disclosure to investors, regulators and other stakeholders?*
- *Has management appropriately assessed the current and future financial impacts of material climate change-related risks on the issuer's assets, liabilities, revenues, expenses and cash flows over the short, medium and long-term?*
- *Do the issuer's regulatory filings contain the required disclosures in respect of material climate change-related risks? Is this disclosure boilerplate or entity-specific?*

Why this Guidance? | Board and Management | Materiality | Climte Change-related Risks | Voluntary Disclosure | Forward-looking Information

Why is materiality important?

Materiality is the determining factor in any assessment of whether information is required to be disclosed in an issuer's continuous disclosure. Only material information needs to be included in an issuer's AIF and MD&A. For purposes of those forms, information is likely material if a reasonable investor's decision whether to buy, sell or hold securities in an issuer would likely be influenced or changed if the information in question was omitted or misstated. Securities legislation imposes a different test for materiality in certain other contexts, and issuers should consider the applicable test when preparing disclosure in respect of climate change-related information or other information. Issuers can also find guidance on assessing materiality in National Policy 51-201 *Disclosure Standards* and section 2.1 of SN 51-333.

The disclosure regime set out in NI 51-102 requires issuers to report matters that are material to the issuer. Omitting or misstating material information in an issuer's required continuous disclosure documents can lead to the board, management, and the issuer itself facing potential risks including litigation, enforcement, or other regulatory actions (e.g., refiling of continuous disclosure documents).

Under NI 52-109, certifying officers of a TSX-listed or other issuer which is not a venture issuer[12] are required to certify, among other things, that they are responsible for establishing and maintaining disclosure controls and procedures. Management of such issuers should have controls and procedures in place to ensure climate change-related information is accumulated and communicated to management to allow timely decisions regarding required disclosure, including materiality assessments. Securities legislation also contains general prohibitions against making statements that a person or company knows (or reasonably ought to know) are materially misleading or untrue. Misrepresentations in a continuous disclosure document also include an omission to state a material fact that is required to be stated or is necessary to be stated in order for that statement not to be misleading.

What are the guiding principles for determining materiality?

Many issuers, including those in non-carbon intensive industries, are or will be exposed to climate change-related risks, though these risks will affect issuers in different industries, and different issuers within the same industry, in different ways. The key question for an issuer is whether a particular climate change-related risk under consideration is material and requires disclosure. We generally consider information to be material if a reasonable investor's decision whether or not to buy, sell, or hold securities of the issuer would likely be influenced or changed if the information was omitted or misstated.[13]

The following guiding principles, derived from SN 51-333, are intended to serve as a general guide and not an exhaustive list of the factors to be considered when making materiality determinations. No new materiality obligations or principles are created by this notice. These guiding principles are not meant as legal or other advice as to whether a particular risk, including climate change-related risk, is material for a particular issuer.

- No bright-line test – There is no uniform quantitative threshold at which a particular type of information becomes material. The materiality of certain information may vary between industries and even between issuers within an industry according to their particular circumstances. An event that is "significant" or "major" for a smaller issuer may not be material to a larger issuer. In our view, issuers should consider both quantitative and qualitative factors in determining materiality.

- Context – Materiality depends on the nature and amount of the item judged in the particular circumstances of its omission or misstatement. Some facts are material on their own. When one or more facts do not appear to be material on their own, materiality must be considered

[12] The term "venture issuer" has the meaning given to it in NI 52-109.
[13] See Part 1(f) of Form 51-102F1 and Part 1(e) of Form 51-102F2.

in light of all the facts available. An issuer should not "lose sight of the forest for the trees" by assessing the materiality of individual facts piecemeal.

- Timing – Determining whether information is material is a dynamic process that depends on the prevailing relevant conditions at the time of reporting. In assessing materiality, an issuer should consider whether the impact of an environmental matter might reasonably be expected to grow over time, in which case early disclosure of the matter might be important to reasonable investors. This would be particularly relevant where the issuer is in an industry with a longer operation or investment cycle or where new technologies are going to be required.

- Trends, demands, commitments, events and uncertainties – Generally, the time horizon of a known trend, demand, commitment, event or uncertainty may be relevant to an issuer's assessment of materiality. As with other types of disclosure, materiality in cases of a known environmental trend, demand, commitment, event or uncertainty turns on an analysis of:

    - the probability that the trend, demand, commitment, event or uncertainty will occur, and
    - the anticipated magnitude of its effect.

What are the specific considerations for determining materiality in the context of climate change-related risk?

We acknowledge that materiality assessments in relation to climate change-related risks may be more difficult than those in relation to other risks due to the evolving understanding of these risks, the potential difficulty in quantifying these risks, and, in some cases, the longer time horizon for certain of these risks to materially impact an issuer's business. Despite these challenges and uncertainties, the disclosure issuers provide should reflect a thoughtful assessment of the information available as to the materiality of certain risks affecting their business and the impact of such risks. We encourage issuers to carefully consider if they have any material exposure to climate change-related risks – most industries and issuers have some exposure to these types of risks, even if they are not directly involved in a carbon-intensive industry. We encourage issuers to undertake an analysis before concluding they have no material exposure to climate change-related risks.

An assessment of materiality in relation to climate change-related risks may require issuers to adapt their existing approaches to risk assessments in order to better understand the potential impacts of climate change-related risks and their materiality. In some cases, this may involve adjusting their approaches to consider the longer time horizon associated with and how to effectively quantify these types of risks.

Issuers are reminded that there are resources to assist them in making their materiality assessments in this area. For example, the SASB Framework found that 72 out of 79 "sustainable industry classification" industries are significantly affected in some way by climate change-related risk.[14] If

[14] More information regarding SASB's ongoing work in this area, including the SASB Framework and SASB's Materiality Map, can be found at https://www.sasb.org/standards-overview/materiality-map/.

appropriate, issuers may consider benchmarking their climate change-related disclosure against their peers when determining their materiality assessments.

Timing

An issuer should not limit its materiality assessment to near-term risks. If an issuer concludes that a climate change-related matter would likely influence or change a reasonable investor's decision whether or not to buy, sell, or hold securities of the issuer, we expect it to be disclosed, even if the matter may only crystallize over the medium- or long-term or if there is uncertainty whether it will actually occur. The timing of realization of the risk and the uncertainty of it occurring may impact the analysis of whether the matter is material but not whether it needs to be considered and analyzed as to materiality. Even if the likelihood of the risk occurring diminishes the materiality of the matter, issuers should still consider whether it is appropriate to disclose the matter as a risk factor.

Measurement

As part of a materiality assessment, issuers should not only consider the existence of material climate change-related risks, but also, where practicable, quantify and disclose the potential financial and other impact(s) of such risks, including their magnitude and timing.

In certain instances, securities legislation may require the quantification of these types of risks. For example, Item 5.1(1)(k) of Form 51-102F2 requires an issuer to disclose the financial and operational effects of environmental protection requirements in the current financial year and the expected effect in future years.

In other cases, issuers should consider how to effectively measure and quantify climate change-related risks as part of their broader risk assessment process. While acknowledging that the precise impacts of climate change-related risks may be difficult to quantify or measure, we are of the view that issuers should consider both quantitative and qualitative factors in making their materiality assessments and may consider using assumptions and estimates which have a reasonable basis and are within a reasonable range. External resources and benchmarking against industry peers may also be appropriate in this regard.

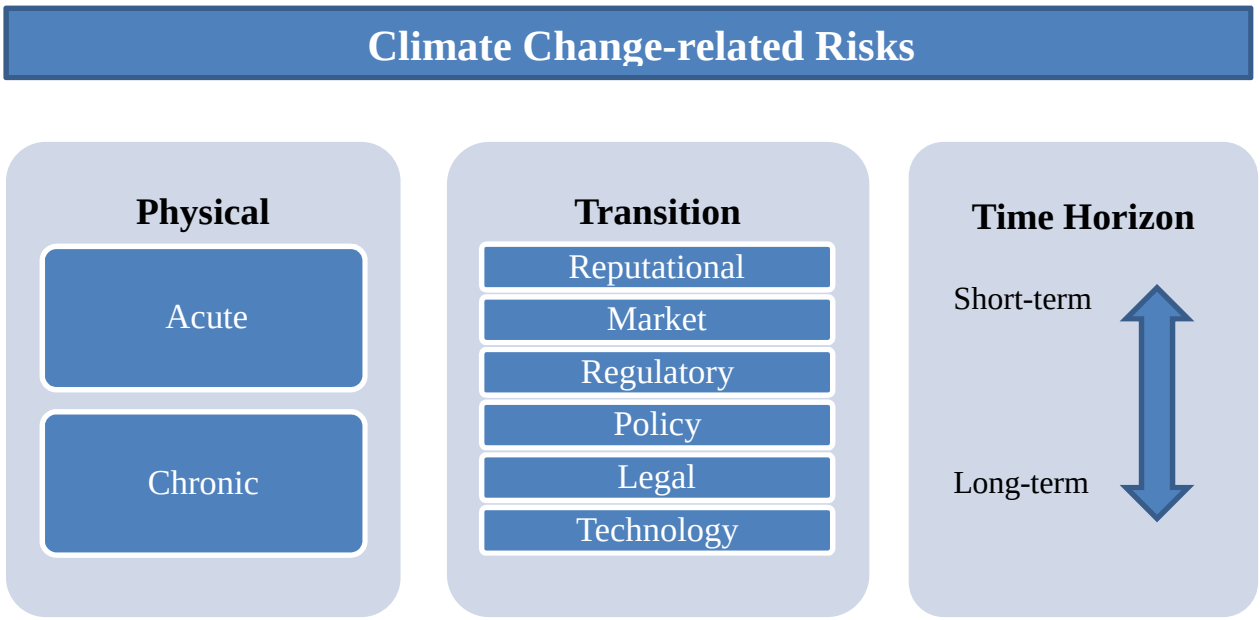
Where to disclose material information about climate change-related risks?

In general, issuers should disclose material information relating to climate change-related risks in an AIF (risk factors relating to the issuer and its business that would be most likely to influence an investor's decision to purchase the issuer's securities) and MD&A (analysis of the issuer's operations for the most recently completed financial year, including commitments, events, risks, or uncertainties that the issuer reasonably believes will materially affect its future performance).

What are potential climate change-related risks and why is their disclosure important?

Disclosure of climate change-related risks and opportunities provides investors with insights into the sustainability of the issuer's business model.

Climate change-related risks can generally be grouped into the categories shown in the diagram below. The risks and their impact may occur over the short-, medium- or long-term.



Physical Risks[15]

Physical risks resulting from climate change can be event-driven (acute) or longer-term shifts (chronic) in climate patterns. Physical risks may have financial implications for organizations, such as direct damage to assets and indirect impacts from supply chain disruption. Issuers' financial performance may also be affected by changes in water availability, sourcing, and quality; food security; and extreme temperature changes affecting their premises, operations, supply chain, transport needs, and employee safety.

Acute physical risks refer to those that are event-driven, including increased severity of extreme weather events, such as cyclones, hurricanes, or floods. Chronic physical risks refer to longer-term shifts in climate patterns (e.g., sustained higher temperatures) that may cause sea level rise or chronic heat waves.

[15] Derived from the TCFD Recommendations.

***Transition Risks*[16]**

Transition risks include reputational, market, regulatory, policy, legal and technology-related risks. These risks may have a shorter to longer term impact.

- Reputational risks arise from changing internal and external stakeholder perceptions related to the way that an issuer is viewed as contributing to (or hindering) a transition to a low-carbon economy.

- Market risks arise from shifts in supply and demand for certain commodities, products and services as climate change-related impacts are increasingly considered in decision making.

- Regulatory risks arise from increased regulation of climate change-related matters, for example increased costs of greenhouse gas (**GHG**) emissions, enhanced disclosure requirements or regulatory action as a result of non-compliance with existing climate change-related disclosure requirements.

- Policy risks arise from policy actions that attempt to constrain actions that contribute to climate change or policy actions that seek to promote adaptation to climate change, such as carbon-pricing mechanisms, incentives for the adoption of lower emission sources of energy and energy-efficient solutions and the promotion of more sustainable land-use practices.

- Legal risks arise from exposure to legal action resulting from a variety of factors including, for example, failure to appropriately address climate change-related risks and insufficient disclosure of material risks.

- Technology risks arise from the introduction of new technology which displaces old systems and disrupts some part of the economic system and include the costs associated with investing in lower emission technologies and substituting products and services with lower emission alternatives.

***Opportunities*[17]**

Efforts to mitigate and adapt to climate change also produce opportunities for issuers. These include resource efficiency and cost savings, the enhancement of existing processes or adoption of low-emission energy sources, the development of new products and services, access to new markets, and building resilience along the supply chain.

[16] Derived from SN 51-333 and the TCFD Recommendations.
[17] Derived from the TCFD Recommendations.

How can climate change-related risks affect an issuer's business?

The climate change-related risks that an issuer is exposed to may have a variety of financial impacts on its business.

The following chart, while not an exhaustive list, outlines some categories of risks that may be associated with climate change and gives examples of risks that may fit into each category[18] and the potential financial impacts on an issuer's business of those risks. We encourage issuers to carefully consider whether other climate change-related risks may apply in their particular circumstances and the impacts of those risks on their business.

[18] In developing examples of climate change-related risks, we have referred to SN 51-333, SN 51-354, and a variety of international initiatives including the TCFD Recommendations, the SASB Framework, survey results published by the Carbon Disclosure Project and the Global Standards for Sustainability Reporting published by the Global Reporting Initiative.

Climate Change-related Risks and Potential Risks

Risks

Physical Risks

- Acute
- Chronic

Transition Risks

- Reputational
- Market
- Regulatory
- Policy
- Legal
- Technology

Potential Impacts on Operations and Business

Impacts of Physical Risks

- damage to assets
- supply chain and operational disruptions
- availability and quality of water
- availability of insurance and financing

Impacts of Transition Risks

- increased costs in a variety of areas, including GHG emissions
- restrictions on licenses
- increased regulation and litigation
- shifts in customer perceptions and preferences
- stigmatization of the issuer's market sector or industry
- increased shareholder concern or negative shareholder feedback

Potential Financial Impacts

Balance Sheet

Assets

valuation/impairment

stranded assets

Liabilities

contingent liabilities

legal claims

regulatory sanctions or penalties

reclamation liabilities

Income Statement

Decreased revenue due to:

decreased demand

regulatory restrictions

supply chain and operational interruptions

Increased expenses due to:

higher costs (water, energy, insurance, cost of capital, capital expenditures)

legal claims, penalties, fin

regulatory costs (carbon tax)

Questions for management in assessing the materiality of climate change-related risks and impacts

In assessing the materiality of climate change-related risks, an issuer's management should consider the above-noted categories of risk as well as any other categories of risk that may be applicable to the issuer's specific business or industry sector. Below are select questions for management to consider when assessing the extent to which applicable categories of climate change-related risks affect their issuer.

Select Questions for Climate Change-Related Risk Assessments[19]

Physical Risk

- *What is the issuer's exposure to the potential effects of extreme weather events?*
- *How does the issuer ensure the reliability and resilience of its networks and services to the impact of severe weather events?*
- *What is the exposure of the issuer's properties to risks, such as flooding or fires?*
- *What are the major risks associated with the issuer's water use, particularly in water stressed regions?*
- *What is the issuer's exposure to supply chain disruption climate change-related risks?*

Transition Risk

- *What is the issuer's exposure to emissions-limiting regulations? How does the geography of the issuer's operations factor into this analysis?*
- *How does the issuer incorporate emissions regulations and climate change considerations into its asset valuations?*
- *How does pricing and demand for the issuer's product/services and/or climate change regulation impact capital expenditure strategy for exploration and development of assets?*
- *What are the issuer's largest risks associated with environmental compliance, disposal and recycling costs, increased capex requirements, etc.?*
- *How does the issuer limit and manage risks associated with air emissions of pollutants in or near areas of dense population?*

[19] In developing examples of questions management should ask themselves when assessing climate change-related risks, we have referred to the TCFD Recommendations.

- *What water quality permits, standards, and regulations apply to the issuer? How does the issuer work to maintain compliance with these requirements?*

- *How is the issuer managing energy consumption and related price and supply risks?*

Voluntary disclosure

In addition to the disclosure required by securities legislation, issuers may choose to voluntarily disclose climate change-related information in their continuous disclosure or in other publications such as sustainability reports, survey responses, corporate citizenship reports, carbon disclosure surveys and information published on an issuer's website and social media posts. If issuers provide such voluntary disclosure, there may be certain additional requirements and factors to consider.

Voluntary disclosure can provide useful information to investors outside of issuers' regulatory filings and should be prepared with the same rigour as the issuer's regulatory filings. Issuers should consider the following:

- Material information in regulatory filings – Material information required to be disclosed under securities legislation must be disclosed in regulatory filings. It is not sufficient for this information to be contained only in voluntary disclosure. Boards and management should ensure that the materiality of information contained in any voluntary disclosure is assessed and, if the information is material, it must be disclosed in the issuer's regulatory filings. In addition, voluntary disclosure should be consistent with the information included in continuous disclosure filings.

- No misrepresentations – Voluntary disclosure should not contain any misrepresentations. Voluntary disclosure may also be subject to the provisions in securities legislation regarding civil liability for secondary market disclosure. Boards and management should have a robust process for reviewing voluntary disclosure prior to its public release to ensure that the information is reliable and accurate.

- Obscuring of material information – Voluntary disclosure should not obscure material information.

Forward-looking information

Issuers may choose to include certain forward-looking information (**FLI**) in their continuous disclosure or in voluntary disclosure. FLI related to climate change could include, for example, a target to reduce GHG emissions or disclosure of an issuer's assessment of the potential business implications of climate change-related risks and opportunities under various scenarios.

If an issuer discloses FLI, they must comply with the requirements set out in Part 4A, Part 4B and section 5.8 of NI 51-102. Those requirements include:

- identifying the information as FLI,
- providing cautionary language,
- stating the material factors or assumptions used to develop the FLI, and
- updating certain previously disclosed FLI and describing the issuer's policy for updating FLI.

Guidance on those requirements can be found in Part 4A of Companion Policy 51-102CP *Continuous Disclosure Obligations* and CSA Staff Notice 51-330 *Guidance Regarding the Application of Forward-Looking Information Requirements under NI 51-102 Continuous Disclosure Obligations*.

The FLI requirements do not relieve issuers from disclosing material climate change-related risks even if they are expected to occur or crystallize over a longer time frame.

Conclusion

This notice is intended solely as an educational tool for issuers to support their compliance with their existing obligation to disclose material climate change-related risks. Investors, particularly institutional investors, are increasingly seeking entity-specific information regarding these risks. When issuers disclose better risk information, issuers and investors can better assess climate change-related risk and investors can make better informed decisions.

We will continue to monitor disclosure of climate change-related matters as part of our ongoing continuous disclosure review program.

Questions

Please refer your questions to any of the following:

Cheryl McGillivray Manager, Corporate Finance Alberta Securities Commission 403-297-3307 cheryl.mcgillivray@asc.ca	**Tim Robson** Manager, Legal, Corporate Finance Alberta Securities Commission 403-355-6297 timothy.robson@asc.ca
Shannon Ward Legal Counsel, Corporate Finance Alberta Securities Commission 403-355-6294 shannon.ward@asc.ca	**Jo-Anne Matear** Manager, Corporate Finance Ontario Securities Commission 416-593-2323 jmatear@osc.gov.on.ca
Stephanie Tjon Senior Legal Counsel, Corporate Finance Ontario Securities Commission 416-593-3655 stjon@osc.gov.on.ca	**Oujala Motala** Senior Accountant, Corporate Finance Ontario Securities Commission 416-263-3770 omotala@osc.gov.on.ca
Nazma Lee Senior Legal Counsel, Corporate Finance British Columbia Securities Commission 604-899-6867 nlee@bcsc.bc.ca	**Victoria Yehl** Senior Geologist, Corporate Finance British Columbia Securities Commission 604-899-6519 vyehl@bcsc.bc.ca
Heather Kuchuran Deputy Director, Corporate Finance Financial and Consumer Affairs Authority of Saskatchewan 306-787-1009 heather.kuchuran@gov.sk.ca	**Wayne Bridgeman** Deputy Director, Corporate Finance Manitoba Securities Commission 204-945-4905 wayne.bridgeman@gov.mb.ca
Michel Bourque Senior Regulatory Advisor, Continuous Disclosure Autorité des marchés financiers 514-395-0337, ext. 4466 michel.bourque@lautorite.qc.ca	**Livia Alionte** Continuous Disclosure Analyst, Continuous Disclosure Autorité des marchés financiers 514-395-0337, ext. 4336 livia.alionte@lautorite.qc.ca
Ella-Jane Loomis Senior Legal Counsel, Securities Financial and Consumer Services Commission (New Brunswick) 506-459-6591 ella-jane.loomis@fcnb.ca	**Junjie (Jack) Jiang** Securities Analyst, Corporate Finance Nova Scotia Securities Commission 902-424-7059 jack.jiang@novascotia.ca

1.2 Notices of Hearing

1.2.1. Sean Daley et al. – ss. 127(8), 127(1)

FILE NO.: 2019-28

IN THE MATTER OF
SEAN DALEY; and
SEAN DALEY carrying on business as the ASCENSION FOUNDATION,
OTO.Money,
SilentVault, and
CryptoWealth;
WEALTH DISTRIBUTED CORP.;
CYBERVISION MMX INC.;
KEVIN WILKERSON; and
AUG ENTERPRISES INC.

NOTICE OF HEARING
127(8) and 127(1) of the *Securities Act*, RSO 1990, c. S.5.

PROCEEDING TYPE: Application for Extension of Temporary Order

HEARING DATE AND TIME: August 16, 2019 at 10:00 a.m.

LOCATION: 20 Queen Street West, 17th Floor, Toronto, Ontario

PURPOSE

The purpose of this proceeding is to consider whether the Commission should grant the Application filed by Staff of the Commission to extend the temporary order issued by the Commission on August 6, 2019.

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 Secretary's Office 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 Bureau du secrétaire par écrit dès que possible si le participant demande qu'une instance soit tenue entièrement ou partiellement en français.

Dated at Toronto this 6th day of August, 2019.

"Robert Blair"
for: Grace Knakowski
Secretary to the Commission

For more information

Please visit www.osc.gov.on.ca or contact the Registrar at registrar@osc.gov.on.ca.

1.4 Notices from the Office of the Secretary

1.4.1 Sean Daley et al.

FOR IMMEDIATE RELEASE
August 6, 2019

SEAN DALEY; and
SEAN DALEY carrying on business as the ASCENSION FOUNDATION,
OTO.Money,
SilentVault, and
CryptoWealth;
WEALTH DISTRIBUTED CORP.;
CYBERVISION MMX INC.;
KEVIN WILKERSON; and
AUG ENTERPRISES INC.,
File No. 2019-28

TORONTO – The Office of the Secretary issued a Notice of Hearing on August 6, 2019 setting the matter down to be heard on August 16, 2019 at 10:00 a.m. to consider whether the Commission should grant the Application filed by Staff of the Commission to extend the temporary order issued by the Commission on August 6, 2019.

A copy of the Notice of Hearing dated August 6, 2019, Application dated August 6, 2019 and Temporary Order dated August 6, 2019 are available at www.osc.gov.on.ca.

OFFICE OF THE SECRETARY
GRACE KNAKOWSKI
SECRETARY TO THE COMMISSION

For media inquiries:

media_inquiries@osc.gov.on.ca

For investor inquiries:

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

Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 Foresters Asset Management Inc. et al.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Approval granted for change of manager of investment funds – change of manager is not detrimental to securityholders or the public interest – change of manager to be approved by the funds' securityholders at a special meeting of the securityholders – National Instrument 81-102 Investment Funds.

Applicable Legislative Provisions

National Instrument 81-102 Investment Funds, s. 5.5(1)(a).

July 30, 2019

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
FORESTERS ASSET MANAGEMENT INC.
(the Filer or FAM)

AND

IN THE MATTER OF
IMAXX SHORT TERM BOND FUND
IMAXX CANADIAN BOND FUND
IMAXX EQUITY GROWTH FUND
IMAXX CANADIAN FIXED PAY FUND
IMAXX CANADIAN DIVIDEND PLUS FUND
IMAXX GLOBAL FIXED PAY FUND
(collectively, the Funds)

DECISION

Background

The Ontario Securities Commission (the **Commission**) has received an application from the Filer for an order under the securities legislation of Ontario (the **Legislation**) for approval of the proposed change of manager of the Funds from the Filer to Fiera Capital Corporation (**FCC**) pursuant to section 5.5(1)(a) of National Instrument 81-102 *Investment Funds* (**NI 81-102**) (the **Requested Approval**).

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

a) the Ontario Securities Commission is the principal regulator (the **Principal Regulator**) for this application; and

b) the Filer has provided notice that section 4.7(1) of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) is intended to be relied upon in British Columbia, Alberta, Saskatchewan, Manitoba, Quebec, New Brunswick, Nova Scotia, Prince Edward Island and Newfound-land and Labrador (together with Ontario, the **Jurisdictions**).

Interpretation

Terms defined in National Instrument 14-101 *Definitions*, MI 11-102, and NI 81-102 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:

The Current Manager

1. The Filer is a corporation amalgamated under the laws of Canada. The Filer's head office is located in Toronto, Ontario.

2. The Filer is registered as an investment fund manager in Ontario, Newfoundland and Labrador and Québec, as a portfolio manager in each of the provinces of Canada, and as an exempt market dealer in Ontario and Québec.

3. The Filer is the investment fund manager and portfolio manager of each of the Funds.

4. The Filer acts as exempt market dealer in respect of securities of Foresters Asset Management Canadian Bond Pool and in respect of non-prospectus-qualified securities of the Funds, and acts as portfolio manager in respect of discretionary-managed accounts for institutional investors.

5. The Filer is not in default of any requirements of applicable securities legislation.

The Funds

6. The Funds are open-end mutual funds structured as trusts established under the laws of Ontario and governed by an amended and restated master trust agreement dated February 21, 2017, as amended on May 18, 2017 and August 20, 2018.

7. RBC Investor Services Trust acts as trustee, registrar, custodian, record keeper and valuation agent of the Funds.

8. Each of the Funds is authorized to issue an unlimited number of transferrable, redeemable trust units of one or more classes.

9. Each of the Funds is a reporting issuer in each of the Jurisdictions and offers its securities to the public pursuant to a simplified prospectus, annual information form and fund facts, each dated May 15, 2019, as amended May 24, 2019.

10. None of the Funds is in default of any requirements of applicable securities legislation.

Fiera Capital Corporation

11. FCC is a corporation established under the laws of Ontario. FCC's head office is located in Montreal, Québec.

12. FCC is a reporting issuer in each of the provinces of Canada. The common shares of FCC are listed for trading on the Toronto Stock Exchange under the symbol "FSZ".

13. FCC is registered as an investment fund manager in Ontario, Newfoundland and Labrador and Québec, as a portfolio manager and an exempt market dealer in each of the provinces and territories of Canada, as an adviser in Manitoba, as a commodity trading manager in Ontario and as a derivatives portfolio manager in Québec.

14. FCC's primary business is to act as portfolio manager in respect of institutional, retail and private wealth clients. It acts as manager and portfolio manager of various pooled funds sold pursuant to exemptions from the prospectus

requirement, as portfolio manager in respect of discretionary managed account clients, as manager and, in some cases, portfolio manager of certain closed-end funds and as manager and portfolio manager of a commodity pool (that will shortly convert to an alternative mutual fund).

15. FCC is not in default of any requirements of applicable securities legislation.

Details of the Proposed Transaction

16. On May 15, 2019, FCC announced that it had entered into a definitive purchase agreement with Foresters Life Insurance Company (**FLIC**), the parent company of the Filer, pursuant to which FCC will acquire all of the outstanding shares of the Filer from FLIC (the **Proposed Transaction**).

17. Following closing of the Proposed Transaction (the **Closing**), FCC will incorporate the FAM business into its existing Canadian operations, including by effecting certain changes to FAM's senior officers and directors and portfolio managers, as well as by way of an amalgamation of FCC and FAM to be completed prior to December 31, 2019. Accordingly, the Proposed Transaction will result in a change of investment fund manager of the Funds (the **Change of Manager**).

18. Pursuant to paragraph 5.1(1)(b) of NI 81-102, special meetings of the unitholders of the Funds will be held on or about August 9, 2019 for the purpose of seeking approval of the Proposed Transaction (the **Meetings**). The notice of Meetings and the management information circular in respect of the Meetings (the **Circular**) will be mailed to unitholders of the Fund and copies thereof will be filed on SEDAR in accordance with applicable securities legislation. The Circular contains sufficient information regarding the business, management and operations of FCC, including details of its officers and directors, and all information necessary to allow unitholders to make an informed decision about the Proposed Transaction. All other information and documents necessary to comply with applicable proxy solicitation requirements of securities legislation for the Meetings will be mailed to unitholders of the Funds.

Impact of the Change of Manager

19. Following Closing, the directors and officers of FAM will be as listed below, each of whom is currently an officer of FCC other than Pamela Brenman, who is currently the Chief Compliance Officer of FAM:

    (i) Jean-Philippe Lemay - Chief Executive Officer, Ultimate Designated Person and Director;

    (ii) Vincent Duhamel - President and Director;

    (iii) Dominic Grimard - Chief Financial Officer and Director; and

    (iv) Pamela Brenman - Chief Compliance Officer.

20. Following Closing the portfolio managers responsible for management of the Funds' assets will be as follows:

Fund	**Post-Closing Portfolio Managers**
imaxx Short Term Bond Fund	Imran Chaudhry Kon-Yu Lau
imaxx Canadian Bond Fund	Imran Chaudhry Kon-Yu Lau
imaxx Canadian Fixed Pay Fund	Imran Chaudhry Kon-Yu Lau Nessim Mansoor
imaxx Canadian Dividend Plus Fund	Nessim Mansoor Nadim Rizk
imaxx Equity Growth Fund	Nessim Mansoor Nadim Rizk
imaxx Global Fixed Pay Fund	Imran Chaudhry Kon-Yu Lau Nadim Rizk

21. Following Closing, FCC may also make adjustments to the investment strategies of the Funds to align with its investment approach. FCC has no current intention to change the investment objectives of the Funds.

22. At the Meetings, unitholders of the Funds will be asked to approve an amendment to the relevant trust agreement to allow the manager to effect a change of auditor without unitholder approval (the **Trust Agreement Amendment**) and, for any Funds where unitholders do not approve the Trust Agreement Amendment, unitholders of such Funds will be asked to approve a change in auditor from Ernst & Young LLP to PricewaterhouseCoopers LLP, (the Change of Auditor). As a result, following Closing, it is proposed that the auditor of the Funds will change from Ernst & Young LLP to PricewaterhouseCoopers LLP, subject to delivery of all necessary notices.

23. Following Closing, FCC intends to have RBC Investor Services Trust continue as trustee, registrar, custodian, record keeper and valuation agent of the Funds.

24. The Filer referred the Proposed Transaction to the Independent Review Committee (**IRC**) of the Funds on May 6, 2019 and the Trust Agreement Amendment and the Change of Auditor to the IRC on June 20, 2019, in each case pursuant to Section 5.1(2) of National Instrument 81-107 – *Independent Review Committee for Investment Funds* (**NI 81-107**). The IRC determined that the Proposed Transaction, the Trust Agreement Amendment and the Change of Auditor would each achieve a fair and reasonable result for each of the Funds.

25. The Filer and FCC, and not the Funds, will bear all costs and expenses associated with calling and holding the Meetings and implementing the Proposed Transaction, including legal fees, filing fees and other expenses associated with preparing, printing and mailing the meeting materials and obtaining necessary regulatory approvals.

26. The Proposed Transaction will not adversely affect FCC's financial position or its ability to fulfill its regulatory obligations.

27. Upon Closing, the individuals that comprise the IRC of the Funds will cease to be members by operation of section 3.10(1)(c) of NI 81-107. Immediately following Closing, the new members of the imaxx Funds' IRC will be the same individuals that comprise the IRC for the pooled funds managed by FCC, namely: Robert F. Kay (Chair), Charles R. Moses and Jerry Patava.

28. Upon Closing, the individuals that will be principally responsible for the investment fund management of the Funds will have the requisite integrity and experience as contemplated under section 5.7(1)(a)(v) of NI 81-102.

29. Closing of the Proposed Transaction is expected to be completed in or about the third quarter of 2019. Closing is subject to the satisfaction of certain closing conditions, including:

    (i) customary conditions of closing; and

    (ii) the Requested Approval.

30. The Requested Approval will not be detrimental to the protection of investors in the Funds or prejudice 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 Requested Approval is granted, provided that the Filer obtains the prior approval of securityholders of the Funds for the Proposed Transaction.

"Darren McKall"
Manager, Investment Funds and Structured Products Branch
Ontario Securities Commission

2.1.2 Freedom International Brokerage Company et al.

Headnote

Under paragraph 4.1(1)(a) of National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations a registered firm must not permit an individual to act as a dealing, advising or associate advising representative of the registered firm if the individual acts as an officer, partner or director of another registered firm that is not an affiliate of the first-mentioned firm. The Filers have sought relief from that prohibition. Each of the firms employing an individual as a registered representative is an owner of the second registered firm and entitled to appoint a director to its board. The individual representatives will have sufficient time to adequately serve both firms. The potential for conflicts of interest is significantly reduced compared to other similar arrangements because the second firm operates as an inter-dealer bond broker and does not compete with any of the shareholder firms. The filers have policies in place to handle potential conflicts of interest. Relief from the prohibition has been granted.

Applicable Legislative Provisions

Multilateral Instrument 11-102 Passport System, s. 4.7.
National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations, ss. 4.1, 13.4 and 15.1.

July 25, 2019

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO
(the Principal Jurisdiction)

AND

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

AND

IN THE MATTER OF
FREEDOM INTERNATIONAL BROKERAGE COMPANY
(FREEDOM),
RBC DOMINION SECURITIES INC. (RBC), AND
TD SECURITIES INC. (TDSI)

DECISION

Background

The regulator in the Principal Jurisdiction (the **Decision Maker**) has received a joint application from Freedom, RBC and TDSI (each a **Filer**) for a decision under the securities legislation of the Principal Jurisdiction (the **Legislation**), pursuant to section 15.1 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**NI 31-103**), providing for the following exemptions (collectively, the **Exemptions Sought**):

(a) an exemption from the requirement contained in paragraph 4.1(1)(a) of NI 31-103 to allow RBC to permit Ms. Harleen Bains to act as a dealing representative of RBC while also acting as a director of Freedom (the **RBC Exemption Sought**); and

(b) an exemption from the requirement contained in paragraph 4.1(1)(a) of NI 31-103 to allow TDSI to permit Ms. Alison (Dickson) Perdue to act as a dealing representative of TDSI while also acting as a director of Freedom (the **TDSI Exemption Sought**).

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

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

(b) in the case of the RBC Exemption Sought, RBC has provided notice that section 4.7(1) of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) is intended to be relied upon in each of the provinces and territories of Canada (collectively, the **Jurisdictions**) other than the Principal Jurisdiction; and

(c) in the case of the TDSI Exemption Sought, TDSI has provided notice that section 4.7(1) of MI 11-102 is intended to be relied upon in each of the Jurisdictions other than the Principal Jurisdiction.

Interpretation

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

Representations

These decisions are based on the following facts represented by each of the Filers insofar as such facts relate to the corresponding Filer:

Freedom

1. Freedom is an unlimited liability company incorporated under the laws of Nova Scotia.

2. The principal regulator of Freedom is the OSC because Freedom's principal office is located in Toronto, Ontario.

3. Freedom is registered as an exempt market dealer in Ontario and Québec, and has been approved as an inter-dealer bond broker by the Investment Industry Organization of Canada (**IIROC**).

4. As an inter-dealer bond broker, Freedom provides an integrated voice and electronic brokerage service to its clients in accordance with the requirements of IIROC Dealer Member Rule 2100 *Inter-Dealer Bond Brokerage Systems* (**Rule 2100).**

5. Pursuant to Rule 2100, all of Freedom's clients are typically Canadian investment dealers, Canadian chartered banks and/or an affiliated entity.

6. As an inter-dealer bond broker, Freedom acts as an agent for its customers in allowing a customer to buy and/or sell domestic and international corporate and government bonds, derivatives and other related securities (collectively, **Debt Securities**) to another customer of Freedom.

7. Freedom never acts as principal in effecting a trade with a client (i.e., Freedom only matches an order by a buyer with a seller and vice versa).

8. Freedom is owned (i) indirectly by a wholly-owned subsidiary of BGC Partners Inc. (**BGC**), a leading global brokerage company servicing the financial and real estate markets with its head office in London, England, and (ii) directly by, or indirectly by a wholly-owned subsidiary of, BMO Nesbitt Burns Inc., CIBC World Markets Inc., Merrill Lynch Canada Inc., RBC, Scotia Capital Inc. and TDSI (collectively, the **Shareholders**).

9. The board of directors of Freedom (the Board) consists of five representatives from BGC and one representative from each of the other Shareholders for a total of 11 directors. The members of the Board do not receive any compensation for acting as a director of Freedom.

10. BGC and the other Shareholders have entered into a unanimous shareholders agreement which effectively limits the ability of the directors of Freedom to oversee the operations of Freedom and imposes restraints on what Freedom can do without shareholder approval.

11. Neither RBC or TDSI (each a **Shareholder-Dealer**) is an affiliate of Freedom.

Shareholder-Dealers

12. RBC and TDSI are each, among other things, an investment dealer in all of the Jurisdictions, and is each a member of IIROC. RBC is indirectly owned by the Royal Bank of Canada and TDSI is directly owned by The Toronto-Dominion Bank.

13. The principal regulator of each Shareholder-Dealer is the OSC because each Shareholder-Dealer's principal office is located in Toronto, Ontario.

14. Ms. Bains is registered, among other things, as a dealing representative (investment dealer) of RBC in each of the Jurisdictions. RBC wants to appoint Ms. Bains as its representative on the Board.

15. Ms. Bains is the Managing Director and Head FICC Canada Sales at RBC and is responsible for strengthening RBC's client relationships across asset classes and driving an innovative coverage model across fixed income, currencies and commodity (FICC) products.

16. Ms. Perdue is registered as a dealing representative (investment dealer) of TDSI in Ontario, and TDSI wants to appoint Ms. Perdue as its representative on the Board.

17. Ms. Perdue is the Managing Director, Head of Canadian Interest Rate Trading at TDSI and is responsible for managing the Canadian rates trading team, which is comprised of trading desks in Toronto and Montreal. The business is divided into three market making desks - government / provincial bond trading, interest rate swaps and interest rate options (trading under the name of TD Bank), and primarily provides liquidity for institutional clients.

18. Each Shareholder-Dealer uses the services of Freedom to effect trades of Debt Securities on behalf of their clients from time to time.

Dual Registration

19. Because each of Ms. Bains and Ms. Perdue (each a **Representative**) has extensive knowledge about fixed income securities and the marketplace in which Freedom operates, Freedom wants each Representative to be a director of Freedom and a member of its Board. Appointing the Representatives to be directors of Freedom will help Freedom remain competitive and be responsive to its clients' interests.

20. Each Shareholder-Dealer has determined that its Representative is the appropriate person to sit on the Board and that it does not have another individual that is not registered in the Jurisdictions who has the necessary expertise.

21. Each Representative will be supervised by the applicable Shareholder-Dealer.

22. The day-to-day operations of Freedom are carried out by the executive management and employees of Freedom. The Representatives will not have any role in the day-to-day operations of Freedom.

23. No Representative or Shareholder-Dealer will have access to Freedom's systems, which access would enable the Representative or Shareholder-Dealer to influence the actions of a client of Freedom to the benefit of that Representative or Shareholder-Dealer in relation to a trade.

24. At no time will the interests of any Shareholder-Dealer be favoured over the other clients of Freedom as a result of the Representative of that Shareholder-Dealer being a member of Freedom's Board.

25. It is anticipated that each Representative will spend between four to six hours per quarter on their duties as a director of Freedom.

26. The directors of Freedom are subject to a detailed policy governing conflicts of interest (the **Freedom Policy**). The Freedom Policy specifically addresses the situation where a Representative, that is a director appointed by a Shareholder-Dealer, has a conflict of interest or duty arising from the concurrent fiduciary duties they owe to Freedom and their Shareholder-Dealer.

27. The Freedom Policy proceeds from the principle that a Representative owes an unqualified fiduciary duty to Freedom. The Freedom Policy enforces that principle by providing that where a director or the Board identifies a conflict of interest, the Board will adopt a protocol for managing the conflict which must include provisions relating to:

    (a) whether the conflicted director must withdraw from the Board meeting for the duration of any discussion on a relevant matter, and whether the Board may waive such a requirement;

    (b) whether, in light of applicable law or other relevant circumstances, the conflicted director may vote in connection with any Board decision on that matter; and

    (c) whether, subject to such restrictions as the Board may impose, the conflicted director may receive Board papers or other information which relates in any way to the subject-matter that gives rise to the conflict (the **Information**). Where the Board decides that the Representative may not receive the Information, and the Board further decides that the conflict of duty is of such nature or sensitivity that it is not appropriate for the conflicted Representative to be made aware of the nature of the Information, the Representative will not be notified of the nature of the Information.

29. To further protect Freedom, the Freedom Policy contains guidelines relating to:

    (a) the circumstances in which the Information may be passed on by a director to the Shareholder-Dealer who nominated them;

    (b) the right of Freedom to place an embargo on the Information which must not be passed on because of its sensitivity; and

    (c) acceptance by each Shareholder-Dealer of the obligation of confidentiality in relation to any Information received.

30. Each of the Shareholder-Dealers has appropriate compliance and supervisory policies and procedures to deal with any conflicts of interest that may arise as a result of their Representative being a director of Freedom.

31. The potential for conflicts of interest or client confusion due to a Representative acting as a director of Freedom and a dealing representative of their Shareholder-Dealer is mitigated by the following:

    (a) none of the Shareholder-Dealers competes with Freedom;

    (b) members of the Board serve without remuneration;

    (c) the Representatives will not be involved in the day-to-day operations of Freedom's operations;

    (d) no Representative or Shareholder-Dealer will have access to Freedom's systems, which access would enable the Representative or Shareholder-Dealer to influence the actions of a client of Freedom to the benefit of that Representative or Shareholder-Dealer in relation to a trade; and

    (e) at no time will Freedom favour the interests of any Shareholder-Dealer as a result of their Representative being a member of its Board.

32. None of the Filers is in default of securities, commodities or derivatives legislation in any Jurisdiction.

33. In the absence of the Exemptions Sought, each of the Shareholder-Dealers would be prohibited

under paragraph 4.1(1)(a) of NI 31-103 from permitting its respective Representative to act as a dealing representative of the Shareholder-Dealer while also acting as a director of Freedom.

Decisions

The Decision Maker is satisfied that the following decisions meet the test set out in the Legislation for the Decision Maker to make the decisions.

The RBC Exemption Sought

The decision of the Decision Maker under the Legislation is that the RBC Exemption Sought is granted, provided that the circumstances described above, insofar as they relate to RBC and Freedom, remain in place.

The TDSI Exemption Sought

The decision of the Decision Maker under the Legislation is that the TDSI Exemption Sought is granted, provided that the circumstances described above, insofar as they relate to TDSI and Freedom, remain in place.

"Elizabeth King"
Deputy Director

2.2 Orders

2.2.1 Delivra Corp.

Headnote

National Policy 11-206 Process for Cease to be a Reporting Issuer Applications – The issuer ceased to be a reporting issuer under securities legislation.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c.S.5, as am., s. 1(10)(a)(ii).

July 30, 2019

**IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO
(the Jurisdiction)**

AND

**IN THE MATTER OF
THE PROCESS FOR CEASE TO BE A
REPORTING ISSUER APPLICATIONS**

AND

**IN THE MATTER OF
DELIVRA CORP.
(the Filer)**

ORDER

Background

The principal regulator in the Jurisdiction has received an application from the Filer for an order under the securities legislation of the Jurisdiction of the principal regulator (the Legislation) that the Filer has ceased to be a reporting issuer in all jurisdictions of Canada in which it is a reporting issuer (the Order Sought).

Under the Process for Cease to be a Reporting Issuer Applications (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 4C.5(1) of Multilateral Instrument 11-102 *Passport System* (MI 11-102) is intended to be relied upon in British Columbia and Alberta.

Interpretation

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

Representations

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

1. the Filer is not an OTC reporting issuer under Multilateral Instrument 51-105 *Issuers Quoted in the U.S. Over-the-Counter Markets*;

2. the outstanding securities of the Filer, including debt securities, are beneficially owned, directly or indirectly, by fewer than 15 securityholders in each of the jurisdictions of Canada and fewer than 51 securityholders in total worldwide;

3. no securities of the Filer, including debt securities, are traded in Canada or another country on a marketplace as defined in National Instrument 21-101 *Marketplace Operation* or any other facility for bringing together buyers and sellers of securities where trading data is publicly reported;

4. the Filer is applying for an order that the Filer has ceased to be a reporting issuer in all of the jurisdictions of Canada in which it is a reporting issuer; and

5. the Filer is not in default of securities legislation in any jurisdiction.

Order

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

The decision of the principal regulator under the Legislation is that the Order Sought is granted.

"Jo-Anne Matear"
Manager, Corporate Finance
Ontario Securities Commission

2.2.2 Sean Daley et al. – ss. 127(1), 127(5)

IN THE MATTER OF
SEAN DALEY; and
SEAN DALEY carrying on business as the ASCENSION FOUNDATION,
OTO.Money,
SilentVault, and
CryptoWealth;
WEALTH DISTRIBUTED CORP.;
CYBERVISION MMX INC.;
KEVIN WILKERSON; and
AUG ENTERPRISES INC.

TEMPORARY ORDER
(Subsections 127(1) & 127(5))

WHEREAS:

1. it appears to the Ontario Securities Commission (the "Commission") that:

   (a) Sean Daley ("Daley"); Daley carrying on business as the Ascension Foundation, OTO.Money, SilentVault and CryptoWealth; Wealth Distributed Corp.; Cybervision MMX Inc.; Kevin Wilkerson; and Aug Enterprises Inc. (collectively "the Respondents") may have traded securities without registration and without an exemption to the registration requirement contrary to section 25 of the *Securities Act*, R.S.O. 1990, c. S.5 (the "Act"); and

   (b) The Respondents may have traded securities without a prospectus having been filed and receipted by the Director contrary to section 53 of the Act;

2. the Commission is of the opinion that the time required to conclude a hearing could be prejudicial to the public interest as set out in subsection 127(5) of the Act;

3. the Commission is of the opinion that it is in the public interest to make this order; and

4. by Authorization Order made on April 30, 2019, pursuant to subsection 3.5(3) of the Act, the Commission authorized each of Maureen Jensen, D. Grant Vingoe, Timothy Moseley, Mary Anne de Monte-Whelan, Garnet W. Fenn, Lawrence P. Haber, Craig Hayman, Raymond Kindiak, Poonam Puri, M. Cecilia Williams, and Heather Zordel acting alone, to exercise the powers of the Commission to make orders under section 127 of the Act;

IT IS ORDERED pursuant to section 127 of the Act that:

1. pursuant to clause 2 of subsection 127(1) of the Act, all trading in any securities by the Respondents shall cease;

2. pursuant to clause 2 of subsection 127(1) of the Act, all trading in 'overcome the odds' vouchers, also known as OTO Vouchers, and Lyra shall cease;

3. pursuant to clause 3 of subsection 127(1) of the Act, that the exemptions contained in Ontario securities law do not apply to the Respondents; and

4. pursuant to subsection 127(6) of the Act, this order shall take effect immediately and shall expire on the 15th day after its making unless extended by order of the Commission.

Dated at Toronto this "6th" day of August, 2019.

"T. Moseley"

Chapter 4

Cease Trading Orders

4.1.1 Temporary, Permanent & Rescinding Issuer Cease Trading Orders

Company Name	Date of Temporary Order	Date of Hearing	Date of Permanent Order	Date of Lapse/Revoke
THERE IS NOTHING TO REPORT THIS WEEK.				

Failure to File Cease Trade Orders

Company Name	Date of Order	Date of Revocation
Highvista Gold Inc.	August 2, 2019	
Jeotex Inc.	August 2, 2019	
Maclos Capital Inc.	August 2, 2019	
Border Petroleum Limited	August 2, 2019	
Evolving Gold Corp.	August 2, 2019	
Portage Biotech Inc.	August 2, 2019	
SBD Capital Corp.	August 2, 2019	
Environmental Waste International Inc.	May 6, 2019	August 1, 2019
Waseco Resources Inc.	July 5, 2019	August 1, 2019

4.2.1 Temporary, Permanent & Rescinding Management Cease Trading Orders

Company Name	Date of Order	Date of Lapse
BetterU Education Corp.	August 2, 2019	

4.2.2 Outstanding Management & Insider Cease Trading Orders

Company Name	Date of Order or Temporary Order	Date of Hearing	Date of Permanent Order	Date of Lapse/ Expire	Date of Issuer Temporary Order
Performance Sports Group Ltd.	19 October 2016	31 October 2016	31 October 2016		

Company Name	Date of Order	Date of Lapse
Peeks Social Ltd.	04 July 2019	

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Chapter 7

Insider Reporting

This chapter is available in the print version of the OSC Bulletin, as well as as in Carswell's internet service SecuritiesSource (see www.carswell.com).

This chapter contains a weekly summary of insider transactions of Ontario reporting issuers in the System for Electronic Disclosure by Insiders (SEDI). The weekly summary contains insider transactions reported during the seven days ending Sunday at 11:59 pm.

To obtain Insider Reporting information, please visit the SEDI website (www.sedi.ca).

Chapter 11

IPOs, New Issues and Secondary Financings

INVESTMENT FUNDS

Issuer Name:
Discovery 2019 Short Duration LP
Principal Regulator - Alberta (ASC)
Type and Date:
Preliminary Long Form Prospectus dated August 2, 2019
Received on August 2, 2019
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
N/A
Project #2947213

Issuer Name:
Emerge ARK AI & Big Data ETF (formerly, Emerge ARK Artificial Intelligence ETF)
Emerge ARK Autonomous Tech & Robotics ETF (formerly, Emerge ARK Autonomous Technology ETF)
Emerge ARK Genomics & Biotech ETF (formerly, Emerge ARK Genomic Revolution ETF)
Emerge ARK Global Disruptive Innovation ETF
Emerge ARK Israel Innovative Technology Index ETF
Principal Regulator - Ontario
Type and Date:
Amended and Restated to Final Long Form Prospectus dated July 31, 2019
Received on July 31, 2019
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
Emerge Canada Inc.
Project #2873690

Issuer Name:
Mackenzie Broad Risk Premia Collection Fund
Mackenzie Enhanced Equity Risk Premia Fund
Mackenzie Enhanced Fixed Income Risk Premia Fund
Mackenzie Multi-Strategy Absolute Return Fund
Principal Regulator - Ontario
Type and Date:
Amendment #1 to Final Annual Information Form dated August 1, 2019
Received on August 2, 2019
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
Mackenzie Financial Corporation
Project #2883862

Issuer Name:
Mackenzie Canadian Resource Fund
Principal Regulator - Ontario
Type and Date:
Amendment #3 to Final Simplified Prospectus and Amendment #4 to Annual Information Form dated August 2, 2019
Received on August 2, 2019
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
LBC Financial Services Inc.
Promoter(s):
Mackenzie Financial Corporation
Project #2827888

Issuer Name:
Mackenzie Global Macro Fund
Principal Regulator - Ontario
Type and Date:
Amendment #1 to Final Annual Information Form dated August 1, 2019
Received on August 2, 2019
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
Mackenzie Financial Corporation
Project #2853423

Issuer Name:
Mackenzie Global Growth Balanced Fund
Principal Regulator - Ontario
Type and Date:
Amendment #1 to Final Annual Information Form dated August 1, 2019
Received on August 2, 2019
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
Mackenzie Financial Corporation
Project #2853426

Issuer Name:
AGF U.S. Small-Mid Cap Fund (formerly, AGF Aggressive U.S. Growth Fund)
Principal Regulator - Ontario
Type and Date:
Amendment #2 to Final Simplified Prospectus dated July 26, 2019
NP 11-202 Receipt dated July 30, 2019
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
AGF Funds Inc.
Promoter(s):
N/A
Project #2885099

Issuer Name:
Emerge ARK AI & Big Data ETF (formerly, Emerge ARK Artificial Intelligence ETF)
Emerge ARK Autonomous Tech & Robotics ETF (formerly, Emerge ARK Autonomous Technology ETF)
Emerge ARK Genomics & Biotech ETF (formerly, Emerge ARK Genomic Revolution ETF)
Emerge ARK Global Disruptive Innovation ETF
Emerge ARK Israel Innovative Technology Index ETF
Principal Regulator - Ontario
Type and Date:
Amended and restated to Final Long Form Prospectus dated July 31, 2019
NP 11-202 Receipt dated July 31, 2019
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
Emerge Canada Inc.
Project #2873690

Issuer Name:
Mackenzie Balanced ETF Portfolio
Mackenzie Canadian Balanced Fund
Mackenzie Canadian Growth Balanced Class
Mackenzie Canadian Growth Balanced Fund
Mackenzie Conservative ETF Portfolio
Mackenzie Conservative Income ETF Portfolio
Mackenzie Cundill Canadian Balanced Fund
Mackenzie Global Sustainability and Impact Balanced Fund
Mackenzie Growth ETF Portfolio
Mackenzie Ivy Canadian Balanced Class
Mackenzie Ivy Canadian Balanced Fund
Mackenzie Ivy Global Balanced Class
Mackenzie Ivy Global Balanced Fund
Mackenzie Moderate Growth ETF Portfolio
Mackenzie Monthly Income Balanced Portfolio
Mackenzie Monthly Income Conservative Portfolio
Mackenzie Private Canadian Focused Equity Pool
Mackenzie Private Canadian Focused Equity Pool Class
Mackenzie Private Global Conservative Income Balanced Pool
Mackenzie Private Global Equity Pool
Mackenzie Private Global Equity Pool Class
Mackenzie Private Global Income Balanced Pool
Mackenzie Private Income Balanced Pool
Mackenzie Private Income Balanced Pool Class
Mackenzie Private US Equity Pool
Mackenzie Private US Equity Pool Class
Symmetry Balanced Portfolio
Symmetry Balanced Portfolio Class
Symmetry Conservative Income Portfolio
Symmetry Conservative Income Portfolio Class
Symmetry Conservative Portfolio
Symmetry Conservative Portfolio Class
Symmetry Equity Portfolio Class
Symmetry Fixed Income Portfolio
Symmetry Growth Portfolio
Symmetry Growth Portfolio Class
Symmetry Moderate Growth Portfolio
Symmetry Moderate Growth Portfolio Class
Principal Regulator - Ontario
Type and Date:
Amendment #5 to Final Annual Information Form dated July 29, 2019
NP 11-202 Receipt dated July 31, 2019
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Quadrus Investment Services Ltd.
LBC Financial Services Inc
Promoter(s):
Mackenzie Financial Corporation
Project #2804068

Issuer Name:
Mackenzie Canadian Growth Balanced Class
Mackenzie Canadian Growth Balanced Fund
Mackenzie Monthly Income Balanced Portfolio
Mackenzie Monthly Income Conservative Portfolio
Mackenzie Private Canadian Focused Equity Pool
Mackenzie Private Canadian Focused Equity Pool Class
Mackenzie Private Global Conservative Income Balanced Pool
Mackenzie Private Global Equity Pool
Mackenzie Private Global Equity Pool Class
Mackenzie Private Global Income Balanced Pool
Mackenzie Private Income Balanced Pool
Mackenzie Private Income Balanced Pool Class
Mackenzie Private US Equity Pool
Mackenzie Private US Equity Pool Class
Symmetry Balanced Portfolio
Symmetry Balanced Portfolio Class
Symmetry Conservative Income Portfolio
Symmetry Conservative Income Portfolio Class
Symmetry Conservative Portfolio
Symmetry Conservative Portfolio Class
Symmetry Equity Portfolio Class
Symmetry Fixed Income Portfolio
Symmetry Growth Portfolio
Symmetry Growth Portfolio Class
Symmetry Moderate Growth Portfolio
Symmetry Moderate Growth Portfolio Class
Principal Regulator - Ontario
Type and Date:
Amendment #3 to Final Annual Information Form dated July 29, 2019
NP 11-202 Receipt dated July 30, 2019
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
LBC Financial Services Inc.
Promoter(s):
Mackenzie Financial Corporation
Project #2827888

Issuer Name:
Balanced Portfolio
Conservative Portfolio
Growth Portfolio
High Growth Portfolio
Invesco 1-5 Year Laddered Corporate Bond Index ETF
Fund (formerly, PS 1-5 Year Laddered Corporate Bond Index Fund)
Invesco Active Multi-Sector Credit Fund (formerly, Invesco Advantage Bond Fund)
Invesco Allocation Fund
Invesco Balanced Portfolio
Invesco Canada Money Market Fund
Invesco Canadian Class (formerly, Trimark Canadian Class)
Invesco Canadian Core Plus Bond Class (formerly, Invesco Canadian Bond Class)
Invesco Canadian Core Plus Bond Fund (formerly, Invesco Canadian Bond Fund)
Invesco Canadian Dividend Index ETF Class (formerly, PowerShares Canadian Dividend Index Class)
Invesco Canadian Endeavour Fund (formerly, Trimark Canadian Endeavour Fund)
Invesco Canadian Fund (formerly, Trimark Canadian Fund)
Invesco Canadian Interest Fund (formerly, Trimark Interest Fund)
Invesco Canadian Opportunity Class (formerly, Trimark Canadian Opportunity Class)
Invesco Canadian Opportunity Fund (formerly, Trimark Canadian Opportunity Fund)
Invesco Canadian Plus Dividend Class (formerly, Trimark Canadian Plus Dividend Class)
Invesco Canadian Preferred Share Index ETF Class (formerly, PowerShares Canadian Preferred Share Index Class)
Invesco Canadian Premier Balanced Fund (formerly, Invesco Canadian Balanced Fund)
Invesco Canadian Premier Growth Class
Invesco Canadian Premier Growth Fund
Invesco Canadian Real Return Bond Index Fund (formerly, PowerShares Real Return Bond Index Fund)
Invesco Canadian Short-Term Bond Fund (formerly, Invesco Short-Term Bond Fund)
Invesco Canadian Small Companies Fund (formerly, Trimark Canadian Small Companies Fund)
Invesco Conservative Portfolio
Invesco Core Canadian Balanced Class
Invesco Diversified Yield Class (formerly, Trimark Diversified Yield Class)
Invesco Emerging Markets Class (formerly, Trimark Emerging Markets Class)
Invesco Emerging Markets Select Pool
Invesco Energy Class (formerly, Trimark Energy Class)
Invesco European Growth Class
Invesco Europlus Fund (formerly, Trimark Europlus Fund)
Invesco Floating Rate Income Fund
Invesco FTSE RAFI Canadian Index ETF Class (formerly, PowerShares FTSE RAFI® Canadian Fundamental Index Class)
Invesco FTSE RAFI Emerging Markets ETF Class (formerly, PowerShares FTSE RAFI® Emerging Markets Fundamental Class)

Invesco FTSE RAFI Global+ ETF Fund (formerly, PowerShares FTSE RAFI® Global+ Fundamental Fund)
Invesco FTSE RAFI U.S. ETF Fund (formerly, PowerShares FTSE RAFI® U.S. Fundamental Fund)
Invesco Global Balanced Class (formerly, Trimark Global Balanced Class)
Invesco Global Balanced Fund (formerly, Trimark Global Balanced Fund)
Invesco Global Bond Fund
Invesco Global Companies Fund (formerly, Trimark Fund)
Invesco Global Diversified Companies Class (formerly, Trimark Global Fundamental Equity Class)
Invesco Global Diversified Companies Fund (formerly, Trimark Global Fundamental Equity Fund)
Invesco Global Diversified Income Fund (formerly, Trimark Global Diversified Income Fund)
Invesco Global Dividend Achievers ETF Fund (formerly, PowerShares Global Dividend Achievers Fund)
Invesco Global Dividend Class (formerly, Trimark Global Dividend Class)
Invesco Global Dividend Income Fund
Invesco Global Endeavour Class (formerly, Trimark Global Endeavour Class)
Invesco Global Endeavour Fund (formerly, Trimark Global Endeavour Fund)
Invesco Global Growth Class
Invesco Global High Yield Bond Fund
Invesco Global Monthly Income Fund
Invesco Global Real Estate Fund
Invesco Global Small Companies Class (formerly, Trimark Global Small Companies Class)
Invesco Growth Portfolio
Invesco High Growth Portfolio
Invesco Income Growth Fund (formerly, Trimark Income Growth Fund)
Invesco Indo-Pacific Fund
Invesco Intactive 2023 Portfolio
Invesco Intactive 2028 Portfolio
Invesco Intactive 2033 Portfolio
Invesco Intactive 2038 Portfolio
Invesco Intactive Balanced Growth Portfolio
Invesco Intactive Balanced Growth Portfolio Class
Invesco Intactive Balanced Income Portfolio
Invesco Intactive Balanced Income Portfolio Class
Invesco Intactive Diversified Income Portfolio
Invesco Intactive Diversified Income Portfolio Class
Invesco Intactive Growth Portfolio
Invesco Intactive Growth Portfolio Class
Invesco Intactive Maximum Growth Portfolio
Invesco Intactive Maximum Growth Portfolio Class
Invesco International Companies Class (formerly, Trimark International Companies Class)
Invesco International Companies Fund (formerly, Trimark International Companies Fund)
Invesco International Growth Class
Invesco International Growth Fund
Invesco Moderate Portfolio
Invesco Monthly Income ETF Portfolio (formerly, PowerShares Monthly Income Fund)
Invesco Resources Fund (formerly, Trimark Resources Fund)
Invesco S&P 500 Low Volatility Index ETF Fund (formerly, PowerShares U.S. Low Volatility Index Fund)
Invesco S&P/TSX Composite Low Volatility Index ETF Class (formerly, PowerShares Canadian Low Volatility Index Class)
Invesco Select Balanced Fund (formerly, Trimark Select Balanced Fund)
Invesco Select Canadian Equity Fund
Invesco Short-Term Income Class
Invesco Strategic Yield Fund
Invesco Tactical Bond ETF Fund (formerly, PowerShares Tactical Bond Fund)
Invesco U.S. Companies Class (formerly, Trimark U.S. Companies Class)
Invesco U.S. Companies Fund (formerly, Trimark U.S. Companies Fund)
Invesco U.S. High Yield Bond Index Fund (formerly, PowerShares High Yield Corporate Bond Index Fund)
Invesco U.S. Money Market Fund (formerly, Trimark U.S. Money Market Fund)
Invesco U.S. Small Companies Class (formerly, Trimark U.S. Small Companies Class)
Moderate Portfolio
Principal Regulator - Ontario

Type and Date:

Combined Preliminary and Pro Forma Simplified Prospectus dated Jul 26, 2019
NP 11-202 Final Receipt dated Aug 1, 2019

Offering Price and Description:

Series T6 units
Series T4CAP shares
Series PFH shares
Series PH shares
Series T8 shares
Series F6 units
Series B shares
Series F shares
Series F6 shares
Series PF shares
Series PF4 shares
Series F4 shares
Series A units
Series D units
Series T6 shares
Series T4 units
Series O units
Series I units
Series DCA Heritage units
Class A shares
Series PT4 shares
Series D shares
Series FH shares
Series T4 shares
Series PT4 units
Series PF6 units
Series PF units
Series DSC units
Series PT6 shares
Series PF6 shares
Series T8CAP shares
Series PTFU units
Series A shares
Series I shares
Series PTFU shares
Series F units

Series PF4 units
Series T8 units
Series PT6 units
Series F4 units
Series PTF shares
Series DCA units
Series M units
Series PT8 shares
Series PF8 shares
Series H shares
Series SC units
Series P units
Series P shares
Series H units
Series T6CAP shares
Series F8 shares
Series PTF units
Series ACAP shares
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
N/A
Project #2921461

Issuer Name:
iShares Core Conservative Balanced ETF Portfolio
iShares Core Equity ETF Portfolio
iShares Core Income Balanced ETF Portfolio
Principal Regulator - Ontario
Type and Date:
Preliminary Long Form Prospectus dated Jul 30, 2019
NP 11-202 Final Receipt dated Jul 31, 2019
Offering Price and Description:
Units
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
N/A
Project #2927163

Issuer Name:
iShares Edge MSCI USA Momentum Factor Index ETF
iShares Edge MSCI USA Quality Factor Index ETF
iShares Edge MSCI USA Value Factor Index ETF
iShares S&P U.S. Small-Cap Index ETF
iShares S&P U.S. Small-Cap Index ETF (CAD-Hedged)
Principal Regulator - Ontario
Type and Date:
Preliminary Long Form Prospectus dated Jul 30, 2019
NP 11-202 Final Receipt dated Jul 31, 2019
Offering Price and Description:
Units
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
N/A
Project #2932802

Issuer Name:
Horizons Balanced TRI ETF Portfolio
Horizons Conservative TRI ETF Portfolio
Horizons Growth TRI ETF Portfolio
Principal Regulator – Ontario
Principal Regulator - Ontario
Type and Date:
Combined Preliminary and Pro Forma Long Form Prospectus dated Jul 29, 2019
NP 11-202 Final Receipt dated ul 31, 2019
Offering Price and Description:
Class A Units
Underwriter(s) or Distributor(s):
N/A
Promoter(s):
N/A
Project #2933375

Issuer Name:
Purpose Structured Equity Yield Portfolio
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectus dated Aug 1, 2019
NP 11-202 Preliminary Receipt dated Aug 1, 2019
Offering Price and Description:
Series F shares
Series A shares
Series I shares
Underwriter(s) or Distributor(s):
N/A.
Promoter(s):
N/A
Project #2946418

Issuer Name:
Sentry Global Monthly Income Fund (formerly, Sentry Global Balanced Income Fund)
Principal Regulator - Ontario
Type and Date:
Amendment #1 to Final Simplified Prospectus dated July 31, 2019
NP 11-202 Receipt dated Aug 2, 2019
Offering Price and Description:
Series A securities, Series B securities, Series F securities, Series I securities, Series P securities
Underwriter(s) or Distributor(s):
N/A.
Promoter(s):
N/A
Project #2918575

Issuer Name:
Manulife Asia Equity Class
Manulife Balanced Equity Private Pool
Manulife Balanced Income Private Trust
Manulife Balanced Portfolio
Manulife Bond Fund
Manulife Canadian Balanced Fund
Manulife Canadian Balanced Private Pool
Manulife Canadian Dividend Growth Class
Manulife Canadian Dividend Growth Fund
Manulife Canadian Equity Private Pool
Manulife Canadian Growth and Income Private Trust
Manulife Canadian Investment Class
Manulife Canadian Unconstrained Bond Fund
Manulife China Class
Manulife Conservative Portfolio
Manulife Corporate Bond Fund
Manulife Corporate Fixed Income Private Trust
Manulife Covered Call U.S. Equity Class
Manulife Covered Call U.S. Equity Fund
Manulife Diversified Alpha Portfolio
Manulife Diversified Investment Fund
Manulife Dividend Income Class
Manulife Dividend Income Fund
Manulife Dividend Income Plus Class
Manulife Dividend Income Plus Fund
Manulife Dividend Income Private Pool
Manulife Dollar-Cost Averaging Fund
Manulife EAFE Equity Fund (formerly Manulife International Focused Fund)
Manulife Emerging Markets Fund
Manulife Floating Rate Income Fund
Manulife Fundamental Balanced Class
Manulife Fundamental Dividend Class
Manulife Fundamental Dividend Fund
Manulife Fundamental Equity Class
Manulife Fundamental Equity Fund
Manulife Fundamental Income Class
Manulife Fundamental Income Fund
Manulife Global All Cap Focused Fund
Manulife Global Balanced Fund
Manulife Global Balanced Private Trust
Manulife Global Core Plus Bond Fund
Manulife Global Dividend Class
Manulife Global Dividend Fund
Manulife Global Dividend Growth Class
Manulife Global Dividend Growth Fund
Manulife Global Equity Class
Manulife Global Equity Private Pool
Manulife Global Fixed Income Private Trust
Manulife Global Franchise Class (formerly Manulife Global Equity Unconstrained Class)
Manulife Global Franchise Fund (formerly Manulife Global Equity Unconstrained Fund)
Manulife Global Infrastructure Class
Manulife Global Infrastructure Fund
Manulife Global Real Estate Unconstrained Fund
Manulife Global Small Cap Balanced Fund
Manulife Global Small Cap Fund
Manulife Global Strategic Balanced Yield Fund
Manulife Global Thematic Opportunities Class
Manulife Global Thematic Opportunities Fund
Manulife Global Unconstrained Bond Fund
Manulife Growth Opportunities Class
Manulife Growth Opportunities Fund
Manulife Growth Portfolio
Manulife Income Fund 2022
Manulife Income Fund 2027
Manulife Income Fund 2032
Manulife Income Fund 2037
Manulife Income Fund 2042
Manulife Income Fund 2047
Manulife Income Fund 2052
Manulife Income Fund 2057
Manulife Income Fund 2062
Manulife Income Fund 2067
Manulife International Equity Private Trust
Manulife Moderate Portfolio
Manulife Money Market Fund
Manulife Monthly High Income Class
Manulife Monthly High Income Fund
Manulife Quantitative Fixed Income Fund 2022
Manulife Quantitative Fixed Income Fund 2027
Manulife Quantitative Fixed Income Fund 2032
Manulife Quantitative Fixed Income Fund 2037
Manulife Quantitative Fixed Income Fund 2042
Manulife Simplicity Balanced Portfolio
Manulife Simplicity Conservative Portfolio
Manulife Simplicity Global Balanced Portfolio
Manulife Simplicity Growth Portfolio
Manulife Simplicity Moderate Portfolio
Manulife Strategic Balanced Yield Fund
Manulife Strategic Dividend Bundle
Manulife Strategic Income Fund
Manulife Strategic Investment Grade Global Bond Fund
Manulife Tactical Income Fund
Manulife U.S. All Cap Equity Class
Manulife U.S. All Cap Equity Fund
Manulife U.S. Balanced Private Trust
Manulife U.S. Balanced Value Private Trust
Manulife U.S. Dividend Income Class
Manulife U.S. Dividend Income Fund
Manulife U.S. Dollar Strategic Balanced Yield Fund
Manulife U.S. Dollar Strategic Income Fund
Manulife U.S. Dollar U.S. All Cap Equity Fund
Manulife U.S. Equity Fund
Manulife U.S. Equity Private Pool
Manulife U.S. Monthly High Income Fund
Manulife U.S. Opportunities Fund
Manulife U.S. Unconstrained Bond Fund
Manulife Value Balanced Class
Manulife Value Balanced Fund
Manulife World Investment Class
Manulife World Investment Fund
Manulife Yield Opportunities Fund
Principal Regulator - Ontario

Type and Date:
Combined Preliminary and Pro Forma Simplified Prospectuses dated Aug 1, 2019
NP 11-202 Final Receipt dated Aug 2, 2019

Offering Price and Description:
Series HH securities, Series H securities, Series D securities, Series CT6 securities, Series N securities, Series GF securities, Series T6 securities, Series GA securities, Series B securities, Advisor Series securities, Series L securities, Series LT6 securities, Series C

securities, Series FT6 securities, Series HE securities, Series F securities
Underwriter(s) or Distributor(s):
N/A.
Promoter(s):
N/A
Project #2928268

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NON-INVESTMENT FUNDS

Issuer Name:
American Aires Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Long Form Prospectus dated July 30, 2019
NP 11-202 Preliminary Receipt dated July 31, 2019
Offering Price and Description:
Minimum Offering: $7,200,000.00
Maximum Offering: $7,560,000.00
Minimum of 24,000,000 Common Shares and up to a Maximum of 25,200,000 Common Shares (the "Offering")
Price: C$0.30 Per Common Share
Underwriter(s) or Distributor(s):
CANACCORD GENUITY CORP.
Promoter(s):
Dimitry Serov
Igor Serov
Project #2945289

Issuer Name:
Green Growth Brands Inc. (formerly Xanthic Biopharma Inc.)
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated July 29, 2019
NP 11-202 Preliminary Receipt dated July 30, 2019
Offering Price and Description:
$50,225,000.00 - 20,500,000 Units
Price: C$2.45 per Offered Unit
Underwriter(s) or Distributor(s):
CANACCORD GENUITY CORP.
EIGHT CAPITAL
CORMARK SECURITIES INC.
GMP SECURITIES L.P.
PARADIGM CAPITAL INC.
BEACON SECURITIES LIMITED
HAYWOOD SECURITIES INC.
Promoter(s):
ALL JS GREENSPACE LLC
CHIRON VENTURES INC.
Project #2942612

Issuer Name:
National Access Cannabis Corp. (formerly Brassneck Capital Corp.)
Principal Regulator - Ontario
Type and Date:
Final Shelf Prospectus dated August 1, 2019
NP 11-202 Receipt dated August 2, 2019
Offering Price and Description:
$200,000,000
COMMON SHARES
PREFERRED SHARES
WARRANTS SUBSCRIPTION RECEIPTS
UNITS
DEBT SECURITIES
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2931298

Issuer Name:
Northway Resources Corp.
Principal Regulator - British Columbia
Type and Date:
Final Long Form Prospectus dated July 30, 2019
NP 11-202 Receipt dated August 1, 2019
Offering Price and Description:
Minimum of 15,000,000 Common Shares and up to a Maximum of 20,000,000 Common Shares
Price: $0.10 per Common Share
Minimum of $1,500,000.00 and up to a maximum of $2,000,000.00
Underwriter(s) or Distributor(s):
HAYWOOD SECURITIES INC.
ECHELON WEALTH PARTNERS INC.
Promoter(s):
Zachary Flood
Kenorland Minerals Ltd.
Project #2929159

Issuer Name:
Sun Residential Real Estate Investment Trust
Principal Regulator - Ontario
Type and Date:
Amended and Restated Final CPC Prospectus dated July 26, 2019
NP 11-202 Receipt dated July 31, 2019
Offering Price and Description:
MINIMUM OFFERING: $250,000.00 (2,500,000 Trust Units)
MAXIMUM OFFERING: $500,000.00 (5,000,000 Trust Units)
Price: C$0.10 per Trust Unit
Underwriter(s) or Distributor(s):
Raymond James Ltd.
Promoter(s):
-
Project #2903155

Issuer Name:
Sundial Growers Inc.
Principal Regulator - Alberta
Type and Date:
Final Long Form Prospectus dated July 30, 2019
NP 11-202 Receipt dated July 30, 2019
Offering Price and Description:
10,000,000 Common Shares
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc..
RBC Dominion Securities Inc.
Barclays Capital Canada Inc.
CIBC World Markets Inc.
Scotia Capital Inc..
Promoter(s):
-
Project #2938509

Issuer Name:
The Flowr Corporation (formerly The Needle Capital Corp.)
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated August 2, 2019
NP 11-202 Receipt dated August 2, 2019
Offering Price and Description:
$43,501,000.00 - 10,610,000 Units
Price: $4.10 per Unit
Underwriter(s) or Distributor(s):
GMP Securities L.P.
BMO Nesbitt Burns Inc.
AltaCorp Capital Inc.
Clarus Securities Inc.
Sprott Capital Partners LP
Promoter(s):
Thomas Flow
Steven Klein
Project #2942048

Issuer Name:
Tidewater Midstream and Infrastructure Ltd.
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated August 1, 2019
NP 11-202 Receipt dated August 1, 2019
Offering Price and Description:
$75,000,000.00 - 5.50% Convertible Unsecured Subordinated Debentures
Due September 30, 2024
Price: $1,000 per Debenture
Underwriter(s) or Distributor(s):
CIBC WORLD MARKETS INC.
NATIONAL BANK FINANCIAL INC.
RBC DOMINION SECURITIES INC.
ALTACORP CAPITAL INC.
CORMARK SECURITIES INC.
SCOTIA CAPITAL INC.
MACQUARIE CAPITAL MARKETS CANADA LTD.
Promoter(s):
-
Project #2942581

Issuer Name:
Toronto Hydro Corporation
Principal Regulator - Ontario
Type and Date:
Final Shelf Prospectus dated July 30, 2019
NP 11-202 Receipt dated July 30, 2019
Offering Price and Description:
$1,000,000,000.00 DEBENTURES (unsecured)
Underwriter(s) or Distributor(s):
BMO NESBITT BURNS INC.
CIBC WORLD MARKETS INC.
NATIONAL BANK FINANCIAL INC.
RBC DOMINION SECURITIES INC.
SCOTIA CAPITAL INC.
TD SECURITIES INC.
Promoter(s):
-
Project #2939739

Issuer Name:
TransCanada PipeLines Limited
Principal Regulator - Alberta
Type and Date:
Preliminary Shelf Prospectus dated August 2, 2019
Received on August 2, 2019
Offering Price and Description:
$3,000,000,000.00
Medium Term Note Debentures
(Unsecured)
Underwriter(s) or Distributor(s):
BMO NESBITT BURNS INC.
CIBC WORLD MARKETS INC.
NATIONAL BANK FINANCIAL INC.
RBC DOMINION SECURITIES INC.
SCOTIA CAPITAL INC.
TD SECURITIES INC.
Promoter(s):
-
Project #2947140

Issuer Name:
TransCanada Trust
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated August 1, 2019
NP 11-202 Preliminary Receipt dated August 1, 2019
Offering Price and Description:
U.S.$*.**
Trust Notes — Series 2019-A Due *, 2079
(Trust Notes — Series 2019-A)
Underwriter(s) or Distributor(s):
-
Promoter(s):
TransCanada PipeLines Limited
Project #2946679

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Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
Name Change	From: Pentecostal Securities Corp. To: Covenant Securities Corp.	Restricted Dealer	July 12, 2019
Voluntary Surrender	Driehaus Capital Management LLC	Portfolio Manager	July 31, 2019
Change in Registration	Baskin Financial Services Inc.	From: Portfolio Manager To: Investment Fund Manager and Portfolio Manager	August 1, 2019
Change in Registration Category	Equium Capital Management Inc.	From: Investment Fund Manager, Portfolio Manager, and Exempt Market Dealer To: Portfolio Manager and Exempt Market Dealer	August 2, 2019

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Chapter 13

SROs, Marketplaces, Clearing Agencies and Trade Repositories

13.1 SROs

13.1.1 Investment Industry Regulatory Organization of Canada (IIROC) – Amendments Respecting Provision of Price Improvement by a Dark Order – Notice of Commission Approval

NOTICE OF COMMISSION APPROVAL

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA (IIROC)

AMENDMENTS RESPECTING PROVISION OF PRICE IMPROVEMENT BY A DARK ORDER

The Ontario Securities Commission has approved IIROC's proposed amendments to the Universal Market Integrity Rules respecting provision of price improvement by a dark order (the "Amendments").

The Amendments modify the dark order price improvement requirements when trading against certain orders by adding a minimum order value of $30,000, in addition to the current threshold of 50 standard trading units. The combination of both a minimum dollar value and a minimum volume threshold will better capture small orders, especially those in low-price securities for the purposes of dark order price improvement requirements.

The Amendments were published for public comment on December 13, 2018. IIROC received ten comment letters on the Amendments and no changes have subsequently been made to the Amendments. A copy of the IIROC Notice, including the text of the Amendments, can be found at http://www.osc.gov.on.ca.

The Amendments will come into force on February 4, 2020, being 180 days after the publication of this Notice of Approval.

In addition, the Alberta Securities Commission; the Autorité des marchés financiers; the British Columbia Securities Commission; the Financial and Consumer Affairs Authority of Saskatchewan; the Financial and Consumer Services Commission of New Brunswick; the Legal Registries Division, Department of Justice (Northwest Territories); the Legal Registries Division, Department of Justice (Nunavut); the Manitoba Securities Commission; the Nova Scotia Securities Commission; the Office of the Superintendent of Securities, Service Newfoundland and Labrador; the Office of the Yukon Superintendent of Securities; and the Prince Edward Island Office of the Superintendent of Securities Office have approved or not objected to the Amendments.

13.2 Marketplaces

13.2.1 CSE – Amendments to Trading System Functionality & Features – Notice and Request for Comment

CANADIAN SECURITIES EXCHANGE

SIGNIFICANT CHANGE SUBJECT TO PUBLIC COMMENT

AMENDMENTS TO TRADING SYSTEM FUNCTIONALITY & FEATURES

NOTICE AND REQUEST FOR COMMENT

CNSX Markets Inc., ("CSE" or "the Exchange") is filing this Notice in accordance with the process for the Review and Approval of Rules and Information Contained in Form 21-101F1 and the Exhibits Thereto attached as Appendices to the Exchange's recognition orders (the "Protocol"). The Exchange intends to implement enhancements to its trading system in response to customer feedback. The proposed changes are described below.

A. Description of the Proposed Changes

CSE Closing Price (CCP) Session for CSE Listed

CSE is proposing a Closing Price Session ("CCP") that will follow the close of continuous trading for CSE listed securities. A period between the close of continuous trading and the start of the CCP session will allow dealers an opportunity to remove orders from the book before the CCP session begins.

- The CSE Closing Price will be defined by the last CSE trade prior to the close at 4:00 p.m. that would have qualified for establishing a national last sale price ("NLSP").
    - If there are no qualifying trades during the current session, the CCP will continue to be the CCP from the previous trading day.
- The current ability to cancel orders between the close at 4:00 p.m. and system shutdown at 8:00 p.m. will remain in place.
- At 4:15 p.m. order entry will be enabled for the CCP which will continue until 5:00pm
    - There will be no pre-open period prior to the CCP session. The market state will change directly from closed to continuous trading.
    - Securities that are in a halted state as of the close at 4:00 p.m. will remain halted through the CCP session.
    - At 5:00 p.m. the market will close and remain closed until the system is shutdown for the day.
- Board-lot orders and the board-lot portion of mixed-lot orders already in the book when the CCP begins can participate in the CCP session.
    - Peg, on-stop, terms, odd-lot and the odd-lot portion of mixed-lot orders will not participate in the CCP session.
    - All trades will occur at the CCP price with the exception of noted Specialty Price Crosses.
    - Orders in the book with limits more aggressive than the CCP will be allowed to match at the CCP against incoming CCP limit orders.
    - Iceberg orders in the book with limits more aggressive than the CCP will be allowed to match at the CCP against incoming CCP limit orders but if the iceberg order replenishes, the replenished visible volume will be priced at the CCP. Any volume not traded will be restored to the original limit price following the CCP session.

- During the CCP session Regular, Internal, Basis, VWAP, Derivative-Related, CCP and Contingent Crosses may be entered.
    - Board-lot, odd-lot and mix-lot cross volumes will be accepted.
    - VWAP and Basis crosses will be accepted and may trade at any price, subject to regulatory restrictions, but will not change the CCP.
    - All other Intentional crosses (with the exception of noted Specialty Price Crosses) will only be accepted if priced at the CCP but are subject to existing rules related to their price relative to the CSE BBO. If the CCP is outside the BBO this may require that orders more aggressive than the CCP be traded out at the CCP before an Intentional cross can be entered.
    - Normal cross interference will apply to crosses in the CCP session as it does in continuous trading.
- Mixed-lot, odd-lot, on-stop, terms, peg and Seek Dark orders will not be accepted.
- During the CCP session board-lot orders may be entered.
    - Only orders with a limit price of the CCP will be accepted.
    - Durations of Day, IOC, GTD, FOK and GTC will be accepted. Unfilled portions of GTD and GTC orders will remain in the book until the next trading day unless cancelled prior to the system shutdown.
- Orders may be amended during the CCP session but price amendments will not be accepted.
- New orders subject to OPR Reprice protection that cannot trade or book at the CSE CCP price based on the NBBO at the time will be cancelled as opposed to being repriced.
- The GMF, participation and odd-lot auto-fill facilities will be inactive during the CCP session.
- Normal CSE matching priorities of price, broker then time will apply during the CCP session.

CSE CCP Session Cross Type

CSE will be adding a CSE Closing Price Session Cross type ("CCP Cross") that will allow dealers to mark an Internal Cross as CCP type when entering the cross on behalf of a client during the CCP session.

- CCP Crosses may only be entered during the CCP session.
- CCP Crosses may only be priced at the CCP.
- Rules related to the Internal Cross price relative to the CSE BBO will apply.
- CCP Crosses will not be subject to cross interference.

B. Expected Implementation Date: Q1 2020

C. Rationale and Analysis

CSE is proposing the CSE Closing Price Session in response to customer demand for the ability to trade at the CSE closing price. In addition, the CCP Cross will permit the execution of Cross orders at the CSE closing price for ETF and other portfolio rebalancing. This additional functionality provides consistency with the other marketplaces in Canada that offered similar closing price sessions.

The use of the CSE Closing Price Session or the CSE Closing Price Cross is optional for participants.

D. Expected Impact

The expected impact is minimal with a more seamless and simplified workflow for Industry stakeholders. The changes respond to customer demand and provide competition with the offerings of other marketplaces. The use of these order types and options is optional.

E. Compliance with Ontario and British Columbia Securities Laws

There will be no impact on the CSE's compliance with Ontario and British Columbia securities laws. The changes do not alter any of the requirements for fair access or the maintenance of fair and orderly markets.

F. Technology Changes

Clients already support similar features on other Canadian marketplaces and therefore we do not anticipate there to be a material effort. The new functionality is optional and should require minimal effort to implement.

G. Other Markets or Jurisdictions

The table below identifies where the proposed functionality is new or currently available.

ORDER TYPE	MARKETS AVAILABLE
Closing Price Session	TMX, Aequitas
Closing Price Cross	TMX

Comments

Please submit comments on the proposed amendments no later than September 10, 2019 to:

Mark Faulkner
Vice President, Listings and Regulation
CNSX Markets Inc.
220 Bay Street, 9th Floor
Toronto, ON, M5J 2W4
Fax: 416.572.4160
Email: Mark.Faulkner@thecse.com

Vida Mehin
Senior Legal Counsel, Capital Markets Regulation
British Columbia Securities Commission
701 West Georgia Street
P.O. Box 10142, Pacific Centre
Vancouver, BC, V7Y 1L2
Email: vmehin@bcsc.bc.ca

Market Regulation Branch
Ontario Securities Commission
20 Queen Street West, 20th Floor
Toronto, ON, M5H 3S8
Fax: 416.595.8940
Email: marketregulation@osc.gov.on.ca

13.2.2 CSE – Notice of Withdrawal of Proposed Amendments to Trading Rules

CANADIAN SECURITIES EXCHANGE

NOTICE OF WITHDRAWAL OF PROPOSED AMENDMENTS TO TRADING RULES

In accordance with the Process for the Review and Approval of Rules and the Information Contained in Form 21-101F1 and the Exhibits thereto (the "Protocol") in Appendix C of the Ontario Securities Commission's Recognition Order recognizing CNSX Markets Inc. (the “CSE”) as an exchange, the proposed “Pegged Order Max Qty” is deemed to have been withdrawn as provided in subsection 10(e) of the Protocol.

Proposed changes to CSE trading rules were published for comment on August 9, 2018 (see CSE Notice 2018-006). The proposed amendments would have introduced five new order types. Four of these order types were approved by the OSC on December 6, 2018; however the “Pegged Order Max Qty” was not addressed in that notice. To the extent the CSE decides to pursue this proposal again, it will be published for comment in accordance with the requirements of the Protocol.

13.3 Clearing Agencies

13.3.1 Banque Centrale De Compensation Carrying on Business as LCH SA – Application for Exemption from Recognition as a Clearing Agency – OSC Notice and Request for Comment

OSC NOTICE AND REQUEST FOR COMMENT

BANQUE CENTRALE DE COMPENSATION CARRYING ON BUSINESS AS LCH SA

APPLICATION FOR EXEMPTION FROM RECOGNITION AS A CLEARING AGENCY

A. Background

Banque Centrale de Compensation carrying on business as LCH SA (**LCH SA**) has applied to the Ontario Securities Commission (**Commission**) for an order pursuant to section 147 of the *Securities Act* (Ontario) (**OSA**) to exempt it from the requirement to be recognized as a clearing agency in subsection 21.2(0.1) of the OSA.

LCH SA is a registered central counterparty (**CCP**) authorized to offer clearing services in the European Union pursuant to Regulation (EU) No. 648/2012 of the European Parliament and the Council of 4 July 2012 on OTC derivatives, central counterparties (**CCP**) and trade repositories, the European Market Infrastructure Regulation (**EMIR**). As a CCP, LCH SA is regulated by the Autorité de Contrôle Prudentiel et de Résolution, the Banque de France and the Autorité des Marchés Financiers, collectively, the French National Competent Authorities (**NCAs**).

LCH proposes to offer its Fixed Income Clearing Service (**RepoClear**) and its Credit Default Swap Clearing Services (**CDS Clear**) to Ontario residents.

B. Proposed Regulatory Approach

Staff of the OSC (**Staff**) have reviewed the Application and other material required by National Instrument 24-102 *Clearing Agency Requirements* (**NI 24-102**). Subject to comments received, Staff propose to recommend to the Commission that it issue an exemption order to LCH SA in the form of the proposed draft order attached at Appendix A (**Draft Order**). This recommendation is based on the determination that LCH SA is not expected to pose significant risk to Ontario's capital markets and is subject to a comparable regulatory and oversight regime in its home jurisdiction by its home regulators, the NCAs.

In determining whether a clearing agency poses significant risk to Ontario, we consider the level of activity of the clearing agency in Ontario (using indicators such as notional value and volume of transactions cleared for Ontario-based market participants) and other qualitative and quantitative factors, such as interconnectedness, size of obligations of the clearing members and the role and central importance of a clearing agency to a particular market.

C. Draft Order

Among other things, the Application describes LCH SA's requirements under EMIR that are generally comparable or that achieve similar outcomes to the requirements of NI 24-102. A copy of LCH SA's Application can be found on the Commission website at: https://www.osc.gov.on.ca/en/Marketplaces_clearing-agencies_index.htm.

The Draft Order if issued would require LCH SA to comply with the various terms and conditions in Schedule "A" to the Draft Order, including relating to:

1. Permitted scope of clearing activities in Ontario
2. Regulation of LCH SA
3. Governance
4. Reporting requirements
5. Information sharing

LCH SA has acknowledged in the Draft Order that the scope of and the terms and conditions imposed by the Commission, or the Commission's determination of whether it is appropriate that LCH SA continue to be exempted from the requirement to be recognized as a clearing agency, may change as a result of the Commission's monitoring of developments in international and domestic capital markets or LCH SA's activities, or as a result of any changes to the laws in Ontario affecting the clearing and settlement of derivatives or securities.

D. Comment Process

The Commission is publishing for public comment the Application and Draft Order. We are seeking comment on all aspects of the Application and Draft Order.

Please provide your comments in writing, via e-mail and delivered on or before September 9, 2019 addressed to the attention of the Secretary of the Commission at e-mail: comments@osc.gov.on.ca.

The confidentiality of submissions cannot be maintained as comments received during the comment period will be published.

Questions may be referred to:

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Tel: 416-593-2362
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APPENDIX "A"
DRAFT ORDER

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

AND

IN THE MATTER OF
BANQUE CENTRALE DE COMPENSATION

ORDER
(Section 147 of the OSA)

WHEREAS Banque Centrale de Compensation which carries on business under the name LCH SA (hereinafter **LCH SA**) has submitted an application (**Application**) with the Ontario Securities Commission (**Commission**) pursuant to section 147 of the OSA requesting an order exempting LCH SA from the requirement to be recognized as a clearing agency under subsection 21.2(0.1) of the OSA (**Order**);

AND WHEREAS LCH SA has represented to the Commission that:

1.1. LCH SA is incorporated in France as a *société anonyme* (limited company) with a registered office based at 18 rue du Quatre Septembre 75002 Paris.

1.2. LCH SA is majority-owned (88.9%) by LCH Group Holdings Limited and indirectly owned (82.6%) by the London Stock Exchange (C) Limited a wholly owned subsidiary of London Stock Exchange Group plc.

1.3. LCH SA qualifies as a central counterparty (**CCP**) pursuant to Regulation (EU) No. 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (**EMIR**), which sets out clearing and bilateral risk-management requirements for over-the-counter (**OTC**) derivative contracts, reporting requirements for derivative contracts, and uniform requirements for the performance of activities of CCPs and trade repositories. It was granted authorization as a CCP under EMIR effective from May 22, 2014.

1.4. LCH SA is of the opinion that it fully observes the international standards applicable to financial market infrastructures described in the April 2012 report Principles for financial market infrastructures (**PFMI**), having prepared a detailed assessment of its compliance against the PFMI and the associated disclosure framework as of 13 August 2018.

1.5. As an authorized CCP, LCH SA is regulated by three national competent authorities (**NCAs**): the *Autorité de Contrôle Prudentiel et de Résolution* (**ACPR**), the *Banque de France* (**BDF**) and the *Autorité des Marchés Financiers* (**AMF**). LCH SA is primarily regulated by the ACPR as a credit institution under the French Monetary and Financial Code (**Comofi**) and is a designated system under the *Settlement Finality Directive* 1998. LCH SA is indirectly supervised by the European Central Bank (**ECB**).

1.6. LCH SA is registered in the United States (i) as a Derivatives Clearing Organization with the U.S. Commodity Futures Trading Commission for its CDSClear service and (ii) as a clearing agency with the U.S. Securities and Exchange Commission.

1.7. LCH SA has to ensure the adequacy of its capital and risk management procedures and is required to provide its regulators with regular reports and information showing LCH SA clearing activities (including initial margin; default fund size; cash and non-cash collateral data; stress testing results; liquidity and capital adequacy; any significant changes in the organization, governance structure or ownership of LCH SA etc.).

1.8. LCH SA also provides its regulators with its annual financial statements and auditors' reports. The LCH SA's regulators may carry out on-site audits.

1.9 LCH SA anticipates that banks, investment dealers and any other legal entity resident in Ontario that fulfils the membership requirements duly defined in any applicable regulation and LCH SA Clearing Rules as defined below may be interested in participating in its offerings and becoming clearing members of LCH SA.

1.10 LCH SA provides clearing services for major exchanges and platforms as well as OTC markets. LCH SA clears a broad range of asset classes such as securities, exchange-traded derivatives, Credit Default Swaps (**CDS**) and Euro denominated bonds and repos.

1.10.1 RepoClear (the **Fixed Income Clearing Service**):

- LCH SA provides clearing services for cash and repos trades on Euro-denominated sovereign debts issued by French, Belgian, Italian, Spanish, German, Austrian, Dutch, Portuguese, Slovenian, Slovakian, Irish, Finnish governments as well as supranational bonds. LCH SA has implemented an interoperable link with Cassa di Compensazione e Garanzia SpA (CC&G), a subsidiary of the LSEG group on the Italian government bonds in compliance with the ESMA interoperability guidelines.

- LCH SA has launched €GCPlus, a central clearing service for the triparty repo market based on ECB eligible securities baskets in collaboration with the Central Securities Depository Euroclear and Banque de France. It uses pools of collateral managed by Euroclear, with Euroclear acting as triparty agent. €GCPlus has a dedicated default fund.

1.10.2 CDSClear (the **CDS Clearing Service**)

- LCH SA provides clearing services on European and North –American Indices and Single Names constituents, through MarkitSERV, Bloomberg and Tradeweb trade sources which includes:

  - ITraxx Europe – Main, HiVol and CrossOver indices (3, 5, 7, 10-year tenors) – Senior Financials indices (5 and 10-year tenors) – from Series 6 onwards, Euro-denominated,

  - Single Names on the reference entities composing the eligible indices, 25/100/300/500 bp coupons (quarterly maturities up to 10-year tenors), 'Standard European Corporate' or 'Standard European Financial Corporate' transaction types, Euro-denominated,

  - CDX Investment-grade indices (3, 5, 7 and 10-year tenors) from Series 7 onwards, US dollar- denominated,

  - Single Names on the reference entities composing the eligible indices, excluding monocline insurers, 100/500 bp coupons (quarterly maturities up to 10-year tenors), 'Standard North American Corporate' transaction types, Senior debt, US dollar-denominated.

  - Options on CDS Index

1.11 An applicant to become a clearing member (**Clearing Member**) is required to have sufficient financial resources and operational capacity to meet the obligations arising from participation in LCH SA. The admission requirements are set forth in the documents entitled "CDS Clearing Rule Book" and "Procedures" regarding the CDSClear service and the "Clearing Rule Book" and "Instructions" regarding the RepoClear service. The CDS Clearing Rule Book, Procedures, the Clearing Rule Book and Instructions together being referred to as the "**Clearing Rules**", are available on LCH SA's website. LCH SA's participation requirements are non-discriminatory and objective to ensure fair and open access. The admission requirements do not limit access on grounds other than risk (e.g., sufficient liable equity capital, compliance with technical requirements, and verification of the legal validity and enforceability of the Clearing Rules).

1.12 A Clearing Member is a legal entity that fulfils the membership requirements such as, among others, having sufficient financial resources and operational capacity to meet the obligations arising from participation in LCH SA. Such membership requirements are set out by LCH SA in the Clearing Rules.

1.13 Clearing Members may clear their own trades as well as those executed on behalf of their clients. A client is a legal entity that has entered into a client clearing agreement with a clearing member, thus allowing it to submit trades to its Clearing Member for clearing. Clients can have multiple Clearing Members.

1.14 A specific membership is required for CDSClear. Existing LCH SA Clearing Members (in LCH SA or its sister subsidiary LCH Ltd.) benefit from a fast-track membership program, subject to LCH SA risk management criteria. The LCH SA website includes further details of the general criteria that must be met to gain the Clearing Member status and the supplementary criteria for CDSClear participants.

1.15 LCH SA plans to offer clearing activities to Ontario Clearing Members for the RepoClear and CDSClear services. This includes clients accessing the service through Ontario Clearing Members and Clearing Members from other jurisdictions.

1.16 The LCH SA Executive Risk Committee may approve an application to become a Clearing Member upon a determination that the applicant meets the membership criteria and after conducting a risk assessment and assigning an internal credit rating to the applicant.

1.17 The provisions of Article 2.1.1.2(5) of the LCH SA rulebook in compliance with article 541-16 of the *Règlement general de l'AMF* and article L 440-2 of the French Monetary Code provide that the French CCP membership of credit institutions (such as banks) and investment firms which are established in a country which is not part of the EEA such as Canada, is subject to a prior authorization from the AMF.

1.18 To achieve a balance between open access and risk, LCH SA continuously monitors a wide range of credit indicators for Clearing Members, including capital-to-risk ratios, and applies real-time risk management controls such as concentration limits and margin multipliers.

1.19 LCH SA's Clearing Rules contain specific quality requirements for Clearing Members which include organisational, risk management systems and procedural requirements. LCH SA may impose additional risk-based conditions which may require Clearing Members to post additional collateral from time to time.

1.20 LCH SA collects collateral from its Clearing Members several times a day, so as to always have enough collateral to cover potential losses that the Clearing Members' portfolios could suffer in a predefined period which varies from one clearing service to another.

1.21 Across LCH SA, mutualised default funds are calibrated monthly and tested daily to be sufficient to withstand the default of the two Clearing Members (at group level) giving rise to the largest losses calculated under scenarios of extreme conditions.

1.22 The LCH SA Rules (including in particular the default procedures stated in the rules) govern the processes that apply to Clearing Members in the case of a Clearing Member default; Clearing Members remain responsible for the credit risk of their clients.

1.23 LCH SA seeks an exemption from the clearing agency recognition requirement in relation to all transactions cleared by each of the LCH SA RepoClear and CDSClear services as described in representations 1.10.1 and 1.10.2.

1.24 LCH SA would provide its services to participants in Ontario without establishing an office or having a physical presence in Ontario or elsewhere in Canada.

1.25 LCH SA submits that it does not pose a significant risk to the Ontario capital markets and is subject to an appropriate regulatory and oversight regime in a foreign jurisdiction.

AND WHEREAS LCH SA has agreed to the respective terms and conditions as set out in Schedule "A" to this order;

AND WHEREAS based on the Application and the representations that LCH SA has made to the Commission, in the Commission's opinion LCH SA is subject to regulatory requirements in France that are comparable to the requirements set out in National Instrument 24-102 *Clearing Agency Requirements* and is subject to the NCA's supervision and granting an order to exempt LCH SA from the requirement to be recognized as a clearing agency would not be prejudicial to the public interest;

AND WHEREAS the Commission will monitor developments in international and domestic capital markets and LCH SA's activities on an ongoing basis to determine whether it is appropriate that LCH SA continues to be exempted from the requirement to be recognized as a clearing agency and, if so, whether it is appropriate that it continue to be subject to the terms and conditions attached hereto as Schedule "A" to this order;

AND WHEREAS LCH SA has acknowledged to the Commission that the scope of and the terms and conditions imposed by the Commission attached hereto as Schedule "A" to this order, or the determination whether it is appropriate that LCH SA continue to be exempted from the requirement to be recognized as a clearing agency, may change as a result of the Commission's monitoring of developments in international and domestic capital markets or LCH SA's activities, or as a result of any changes to the laws in Ontario affecting clearing and settlement of derivatives or securities;

IT IS HEREBY ORDERED by the Commission that, pursuant to section 147 of the OSA, LCH SA is exempt from the requirement to be recognized as a clearing agency under subsection 21.2(0.1) of the OSA;

PROVIDED THAT LCH SA complies with the terms and conditions attached hereto as Schedule "A"

DATED this [….] day of […], 2019.
[*NAME*]
[*NAME*]

SCHEDULE "A"
Terms and Conditions

Definitions:

For the purposes of this Schedule "A":

"client clearing" means the ability of a Clearing Member to clear transactions on LCH SA for and on behalf of a client.
Unless the context requires otherwise, other terms used in this Schedule "A" shall have the meanings ascribed to them in Ontario securities law (including terms defined elsewhere in this order).

COMPLIANCE WITH ONTARIO LAW

1. LCH SA will comply with Ontario securities law (as defined in the OSA).

SCOPE OF PERMITTED CLEARING SERVICES IN ONTARIO

2. LCH SA's activities in Ontario will be limited to the clearing of transactions in the RepoClear and CDSClear services as generally described in subsections 1.10.1 and 1.10.2 of LCH SA's representations set out above in this order (**Permitted Clearing Services).**

3. LCH SA's offering of the CDSClear service will comply with National Instrument 94-102 *Derivatives: Customer Clearing and Protection of Customer Collateral and Positions.*

4. For purposes of this order, **Ontario Clearing Member** means a Clearing Member resident in Ontario that uses the Permitted Clearing Services.

REGULATION OF LCH SA

5. LCH SA will maintain its status as an authorised CCP under EMIR and will continue to be subject to the regulatory oversight of its NCAs or any successor(s).

6. LCH SA will continue to comply with its ongoing regulatory requirements as a CCP under EMIR, and with the ongoing regulatory requirements of its NCAs.

GOVERNANCE

7. LCH SA will promote within LCH SA a governance structure that minimizes the potential for any conflict of interest between LCH SA and its shareholders that could adversely affect the Permitted Clearing Services or the effectiveness of LCH SA's risk management policies, controls and standards.

REPORTING REQUIREMENTS

Reporting with the NCAs

8. LCH SA will promptly provide staff of the Commission the following information, to the extent that it is required to provide or submit such information to NCAs or their successors:

   (a) details of any material legal proceeding instituted against LCH SA;

   (b) notification that LCH SA has failed to comply with an undisputed obligation to pay money or deliver property to an Ontario Clearing Member for a period of thirty days after receiving notice from the Ontario Clearing Member of LCH SA's past due obligation;

   (c) notification that LCH SA has instituted a petition for a judgment of bankruptcy or insolvency or similar relief, or to wind up or liquidate LCH SA or has a proceeding for any such petition instituted against it;

   (d) material changes to its bylaws and rules where such changes would impact the Permitted Clearing Services used by Ontario residents (whether as a Ontario Clearing Member or otherwise);

(e) new services or clearing of new type of products in the Permitted Services to be offered to Ontario Clearing Members or services or types of products that will no longer be available to Ontario members; and

(f) any new category of membership in the Permitted Clearing Services if LCH SA expects that category of membership would be available to Ontario Clearing Members.

Prompt Notice

9. LCH SA will promptly notify staff of the Commission of any of the following:

(a) any material change to its business or operations;

(b) any material change or proposed material change in LCH SA's status as a CCP under EMIR or in its regulatory oversight by NCAs or any successors;

(c) any material problem with the clearing and settlement of transactions that could materially affect the safety and soundness of LCH SA;

(d) the admission of any new Ontario Clearing Member;

(e) any event of default by, or removal from Permitted Clearing Services of, an Ontario Clearing Member;

(f) any material system failure of a Permitted Clearing Service utilized by an Ontario Clearing Member including cybersecurity breaches;

(g) initiation of LCH SA's recovery plan;

(h) the appointment of a receiver or the making of any voluntary arrangement with creditors; and

(i) the entering of LCH SA into any resolution regime or the placing of LCH SA into resolution by a resolution authority.

Quarterly Reporting

10. LCH SA will maintain and submit the following information to the Commission in a manner and form acceptable to the Commission on a quarterly basis within 30 days of the end of each calendar quarter, and at any time promptly upon the request of staff of the Commission:

(a) a current list of all Ontario Clearing Members, and the legal entity identifier (LEI), if any, of each such Ontario Clearing Member;

(b) a list of all Ontario Clearing Members against whom disciplinary or legal action has been taken in the quarter by LCH SA with respect to activities at LCH SA, or to the best of LCH SA's knowledge, by its NCAs or any other authority in Europe or the United States that has or may have jurisdiction with respect to the relevant Ontario Clearing Members' clearing activities at LCH SA;

(c) a list of all investigations by LCH SA in the quarter relating to Ontario Clearing Members;

(d) a list of all Ontario-resident applicants who have been denied Clearing Member status in the quarter by LCH SA;

(e) quantitative information in respect of the Permitted Clearing Services used by Ontario Clearing Members for cleared transactions referred to in subsections 1.9.2 and 1.9.3, including in particular the following:

i) as at the end of the quarter, level, maximum and average daily open interest, number of transactions and notional value of transactions cleared during the quarter for each Ontario Clearing Member;

ii) the percentage of end of quarter level and average daily open interest, number of transactions and the notional value cleared during the quarter for all Clearing Members that represents the end of

quarter and average daily open interest, number of transactions and the notional value of transactions cleared during the quarter for each Ontario Clearing Member;

iii) the aggregate total margin amount required by LCH SA ending on the last trading day during the quarter for each Ontario Clearing Member;

iv) the portion of the total margin required by LCH SA ending on the last trading day of the quarter for all Clearing Members that represents the total margin required during the quarter for each Ontario Clearing Member; and

(f) the default fund contribution, for each Ontario Clearing Member on the last trading day during the quarter, and its proportion of the total default fund contributions;

(g) a summary of risk management analysis related to the adequacy of the default fund requirement, including but not limited to stress testing and backtesting results;

(h) if known to LCH SA, for each Clearing Member (identified by its LEI) offering client clearing to an Ontario resident, the identity of the Ontario resident client (including LEI, if any) receiving such services, and the value and volume cleared by asset class or transaction type during the quarter for and on behalf of each Ontario resident client.

INFORMATION SHARING

11. LCH SA will promptly 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 that would prevent the sharing of such information and subject to the application of solicitor-client privilege.

12. Unless otherwise prohibited under applicable law, LCH SA will share information relating to regulatory and enforcement matters and otherwise cooperate with other recognized and exempt clearing agencies on such matters, as appropriate.

Chapter 25

Other Information

25.1 Consents

25.1.1 Newstrike Brands Ltd. – s. 4(b) of Ont. Reg. 289/00 under the OBCA

Headnote

Consent given to an offering corporation under the Business Corporations Act (Ontario) to continue under the Canada Business Corporations Act.

Statutes Cited

Business Corporations Act, R.S.O. 1990, c. B.16, as am., s. 181.
Securities Act, R.S.O. 1990, c. S.5, as am.

Regulations Cited

Regulation made under the Business Corporations Act, Ont. Reg. 289/00, as am., s. 4(b), Securities Act, R.S.O. 1990, c. S.5, as am.

IN THE MATTER OF
R.R.O. 1990, REGULATION 289/00, AS AMENDED
(the REGULATION)
UNDER THE BUSINESS CORPORATIONS ACT (ONTARIO),
R.S.O. 1990 c. B.16, AS AMENDED
(the OBCA)

AND

IN THE MATTER OF
NEWSTRIKE BRANDS LTD.

CONSENT
(Subsection 4(b) of the Regulation)

UPON the application (the **Application**) of Newstrike Brands Ltd. (the **Applicant**) to the Ontario Securities Commission (the **Commission**) requesting the Commission's consent to the Applicant continuing in another jurisdiction pursuant to section 181 of the OBCA (the **Continuance**);

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

AND UPON the Applicant having represented to the Commission that:

1. The Applicant is an offering corporation under the OBCA.

2. The authorized capital of the Applicant consists of an unlimited number of common shares (the **Common Shares**), which are not listed or posted for trading on a published market, and of which all of the issued and outstanding Common Shares are owned by HEXO Corp. (**HEXO**). As at July 23, 2019, the Applicant also has issued and outstanding the following securities:

   a. 69,701,500 warrants to purchase 0.06332 of a common share in HEXO at an exercise price of $1.75 with an expiry date of February 16, 2020 issued pursuant to a warrant indenture between Newstrike and TSX Trust Company (**TSX Trust**) dated February 16, 2018, as supplemented by a Supplemental Warrant Indenture dated as of May 24, 2019 between the Applicant, HEXO and TSX Trust (the **February 2020 Warrants**);

   b. 34,550,000 warrants to purchase 0.06332 of a common share in HEXO at an exercise price of $1.00 with an expiry date of June 19, 2023 issued pursuant to a warrant indenture between Newstrike and TSX Trust dated June 19, 2018, as supplemented by a Supplemental Warrant Indenture dated as of May 24, 2019 between

the Applicant, HEXO and TSX Trust (the **June 2023 Warrants**, and together with the February 2020 Warrants, the **Listed Warrants**); and

c. 9,445,140 unlisted warrants to purchase 0.06332 of a common share in HEXO.

3. The February 2020 Warrants and June 2023 Warrants are listed and posted for trading on the TSX Venture Exchange (**TSXV**) under the symbols HIP.WT and HIP.WT.A, respectively. The Listed Warrants are the only securities of the Applicant that are listed for trading on a published market.

4. The Applicant intends to apply to the Director pursuant to section 181 of the OBCA (the **Application for Continuance**) for authorization to continue as a corporation under the *Canada Business Corporations Act*, R.S.C., 1985, c. C-44 (the **CBCA**).

5. The Application for Continuance is being made to facilitate the amalgamation of the Applicant with other wholly-owned subsidiaries of HEXO.

6. The material rights, duties and obligations of a corporation governed by the CBCA are substantially similar to those of a corporation governed by the OBCA.

7. The Applicant is a reporting issuer under the Securities Act, R.S.O. 1990, c. S.5, as amended (the **Act**) and the securities legislation of each of the provinces of Canada, other than Quebec (together with the Act, the **Legislation**), and will remain a reporting issuer in these jurisdictions following the Continuance.

8. The Applicant is not in default of any of the provisions of the OBCA or the Legislation, including the regulations made thereunder.

9. The Applicant is not in default of any provision of the rules, regulations or policies of the TSXV.

10. The Applicant is not subject to any proceeding under the OBCA or the Legislation.

11. The Commission is the principal regulator of the Applicant and will remain the Applicant's principal regulator following the Continuance.

12. HEXO, as the sole shareholder, has authorized the Continuance on July 24, 2019.

13. Subsection 4(b) of the Regulation requires the Application for Continuance be accompanied by a consent from the Commission.

AND UPON the Commission being satisfied that to do so would not be prejudicial to the public interest;

THE COMMISSION CONSENTS to the continuance of the Applicant under the CBCA.

DATED at Toronto, Ontario this 31st day of July, 2019.

"Craig Hayman"
Part-time Commissioner
Ontario Securities Commission

"Tim Moseley"
Vice Chair
Ontario Securities Commission

25.2 Application to Extend Temporary Order

25.2.1 Sean Daley et al. – ss. 127(8), 127(1)

IN THE MATTER OF
SEAN DALEY; and
SEAN DALEY carrying on business as the ASCENSION FOUNDATION,
OTO.Money,
SilentVault, and
CryptoWealth;
WEALTH DISTRIBUTED CORP.;
CYBERVISION MMX INC.;
KEVIN WILKERSON; and
AUG ENTERPRISES INC.

APPLICATION OF
STAFF OF THE ONTARIO SECURITIES COMMISSION
(For Extension of a Temporary Order Subsections 127(8) and 127(1) of the *Securities Act*, RSO 1990, c S.5)

A. ORDERS SOUGHT

The Applicant, Staff of the Ontario Securities Commission ("Staff"), requests that the Ontario Securities Commission (the "Commission") make the following orders:

1. An order extending the Temporary Order of the Commission made with respect to Sean Daley ("Daley"), Daley carrying on business as the Ascension Foundation, OTO.Money, SilentVault, and CryptoWealth., and Wealth Distributed Corp. ("Wealth Distributed"), Cybervision MMX Inc. ("CyberVision"), Kevin Wilkerson ("Wilkerson"), and Aug Enterprises Inc. ("Aug Enterprises"), dated August 6, 2019, for such period as it considers necessary if satisfactory information is not provided to the Commission within the fifteen-day period after the Temporary Order was made, pursuant to subsection 127(8) of the *Securities Act*, RSO 1990, c S.5 (the "Act");

2. If necessary, an order abridging the time required for service pursuant to Rules 3 and 4(2) of the Ontario Securities Commission Rules of Procedure; and

3. Such other Order as the Commission considers appropriate in the public interest.

B. GROUNDS

The grounds for the request are:

1. In July 2018, Staff commenced an investigation into Daley, Ascension Foundation, OTO.Money, SilentVault, and CryptoWealth;

2. During the course of the investigation, Staff found evidence that Daley; Daley carrying on business as Ascension Foundation, OTO.Money, SilentVault, and CryptoWealth; Wealth Distributed; Cybervision; Wilkerson; and Aug Enterprises appeared to be trading or acting in furtherance of trades without being registered to trade and without a prospectus having been filed and receipted contrary to sections 25 and 53 of the Act, respectively;

3. On August 6, 2019, the Commission issued a temporary order (the "Temporary Order").

4. The Temporary Order provided that:

    a. all trading in any securities by Daley, and Daley carrying on business as Ascension, OTO.Money, SilentVault, and CryptoWealth.com, and Wealth Distributed, Cybervision, Wilkerson, and Aug Enterprises shall cease;

    b. all trading in 'overcome the odds' vouchers, also known as OTO.Vouchers and Lyra shall cease;

    c. any exemptions contained in Ontario securities law do not apply to Daley; Daley carrying on business as Ascension, OTO.Money, SilentVault, and CryptoWealth, and Wealth Distributed, Cybervision, Wilkerson, and Aug Enterprises;

    d. the Temporary Order shall take effect on August 6, 2019 and shall expire on the 15th day after its making

unless extended by order of the Commission;

5. The investigation into the conduct described in the Temporary Order is continuing;

6. The Respondents have obstructed Staff's investigation;

7. The order sought by Staff is necessary to protect investors from serious and ongoing harm and is in the public interest;

8. Subsections 127(1) and 127(8) of the Act; and

9. Such further and other grounds as counsel may advise and the Commission may permit.

C. EVIDENCE

The Applicant intends to rely on the following evidence at the hearing:

1. The Affidavit of Kevin Dusseldorp to be filed.

Date: August 6, 2019

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Lawyers for Staff of the Ontario Securities Commission

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