

July 7, 2017

BY E-MAIL

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Dear Me Beaudoin:

Subject: CSA Consultation Paper 51-404 – Considerations for Reducing Regulatory Burden for Non-Investment Fund Reporting Issuers

The *Caisse de dépôt et placement du Québec* (the “Caisse”) has reviewed CSA Consultation Paper 51-404 – *Considerations for Reducing Regulatory Burden for Non-Investment Fund Reporting Issuers* (the “Consultation Paper”).

About the Caisse

Under its constituting act, the Caisse manages funds from its depositors, primarily public and private pension and insurance plans. The Caisse is one of the largest institutional fund managers in Canada.

Background

The Caisse is a major shareholder of publicly traded companies, many of which are listed on the Toronto Stock Exchange or the TSX Venture Exchange.

As a long-term shareholder of the companies we hold, the Caisse is particularly interested in any regulatory initiative that could enhance their disclosure requirements.

The Caisse therefore thanks the Canadian Securities Administrators (the “CSA”) for the opportunity to comment on the Consultation Paper.

The Caisse believes that appropriate corporate transparency ensures efficient capital markets and thus contributes to investor protection.

However, the Caisse is mindful that disclosure requirements may be burdensome for companies. This burden should in no way be disproportionate to the “benefits” these disclosure requirements provide to investors and the market as a whole.

The Caisse submits the following general comments and responses to certain specific questions by the CSA.

General comments

As a shareholder, the Caisse considers that it is entitled to have all the relevant information needed to make informed investment decisions.

In return for the privilege of soliciting investors, companies must provide them with information on their business and any material items that could affect those investors.

The disclosures, however, must be clear, relevant and timely. Investors should not be inundated with non-material, redundant information.

Responses to CSA Questions

1- Extending the application of streamlined rules to non-venture issuers

4. Would a size-based distinction between categories of reporting issuers be preferable to the current distinction based on exchange listing?

We believe that regulations must be flexible and adaptable to the various categories of issuers.

In our view, size-based criteria would be appropriate to distinguish between reporting issuer categories in order to apply appropriate regulatory requirements to each of them.

Accordingly, depending on their size, certain issuers would benefit from reduced regulatory requirements. The exchange listing criteria would no longer be used to determine the requirements applicable to a given issuer.

We are therefore in favour of adopting a size-based distinction.

5. If we were to adopt a size-based distinction: What metric or criteria should be used and why? What threshold would be appropriate and why?

In order to determine the size of an issuer, we believe that a combination of criteria should apply.

In determining an issuer's size and its reporting category, criteria should not be limited to the issuer's market capitalization, for example. Otherwise, an issuer would be moved from one category to another based on changes in its market capitalization.

The size-based distinction must be based on several metrics, a combination of which would make for a better categorization of issuers and provide them with greater stability within a given category.

A combination of the following criteria could be considered: an issuer's market capitalization [the median market capitalization on the Toronto Stock Exchange and Venture Exchange is approximately \$500 million], revenue [a minimum threshold of \$100 million to ensure issuers have a sophisticated financial team in place] and liquidity (in \$).

Moreover, the criteria currently applied in the U.S. under their *Jumpstart Our Business Startups Act* of 2012—which provides for reduced continuous disclosure requirements for emerging growth companies—could be adapted.

5. What measures could be used to prevent reporting issuers from being required to report under different regimes from year to year?

In order to prevent reporting issuers from being required to report under different regimes from year to year, we propose that issuers be categorized at the end of their fiscal years.

Regulators should also be granted a certain amount of discretion in order to prevent any *untimely* change of category. They could thus allow an issuer to remain within a given category even though it no longer meets the size-based criteria as a result of circumstances or events of an exceptional nature which the issuer is able to justify. Conversely, the CSA should intervene if it finds that a change from one category to another needs to be made within a fiscal year.

2- Reducing the regulatory burdens associated with the prospectus rules and offering process

- **Reducing the audited financial statement requirements in an initial public offering (IPO) prospectus**

7. Is it appropriate to extend the eligibility criteria for the provision of two years of financial statements to issuers that intend to become non-venture issuers?

We do not believe this measure to be appropriate.

Investors seeking to gain a better understanding of an IPO issuer and its operations find historical financial information to be essential and highly useful, especially since such issuers have never had to disclose information to the market.

We consider that a provision of two years of financial statements is insufficient.

- Reducing ongoing disclosure requirements

18. Does the BAR disclosure, in particular the financial statements of the business acquired and the pro forma financial statements, provide relevant and timely information for an investor to make an investment decision? In what situations does the BAR not provide relevant and timely information?

We believe that the BAR requirement is of little interest to investors.

The timeframes for filing BARs are such that they lose their relevance. We do not believe that the burden of preparing such reports is justified under the circumstances.

- Permitting semi-annual reporting

23. What are the benefits of quarterly reporting for reporting issuers? What are the potential problems, concerns or burdens associated with quarterly reporting?

Although quarterly reporting allows investors to obtain more short-term financial information, it represents a financial burden for companies.

Currently, the time and costs associated with quarterly reporting are often seen as disincentives by small- and medium-sized issuers.

24. Should semi-annual reporting be an option provided to reporting issuers and if so under what circumstances? Should this option be limited to smaller reporting issuers?

The Caisse believes that semi-annual reporting should be an option available to all reporting issuers. Such a reduced regulatory requirement would be a fair compromise between protecting investors and reducing reporting costs for issuers.

However, the Caisse is aware that some issuers will still elect to file quarterly financial statements. It therefore believes that this reduced requirement should be voluntary.

25. Would semi-annual reporting provide sufficiently frequent disclosure to investors and analysts who may prefer to receive more timely information?

Given that the Caisse is a long-term institutional investor, it believes that semi-annual reporting would be sufficient.

Moreover, the requirement to report material changes via news releases provides investors with adequate, timely information about such changes.

26. Similar to venture issuers, should non-venture issuers have the option to replace interim MD&A with quarterly highlights?

The Caisse believes that this option would be preferable since there are currently duplications of information on several levels.

Conclusion

The Caisse is in favour of reducing the regulatory burden on reporting issuers. It believes that the disclosure requirements of issuers should not negatively impact them or hinder their listing on a stock exchange.

The Caisse is fully cognizant that these disclosure requirements can be adapted based on certain criteria, including size.

Reduced regulatory requirements should benefit not only issuers but also investors. Since they are removed from the business's operations, investors must be able to rely on clear, relevant and timely information.

Lastly, the Caisse wishes to take the opportunity of this consultation to raise the issue of climate-related financial disclosures.

The Caisse considers climate change disclosures as relevant information. It would like the CSA to address this issue and propose a disclosure framework to issuers.

In this regard, the Caisse offers its full co-operation.

Yours truly,

Soulef Hadjoudj
Directrice-conseil Affaires juridiques, Investissements