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July 31, 2017

VIA EMAIL

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs authority (Saskatchewan)
Manitoba Securities commission
Ontario Securities Commission
Autorité des marchés financiers
Financial and Consumer Services Commission (New Brunswick)
Superintendent of Securities, Department of Justice and Public Safety,
Nova Scotia Securities commission
Securities commission of Newfoundland and Labrador
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon
Superintendent of Securities, Nunavut

The Secretary
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Corporate Secretary
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Dear Sirs/Mesdames:

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

TMX Group Limited ("**TMX Group**" or "**we**") welcomes the opportunity to comment on behalf of its subsidiaries, Toronto Stock Exchange ("**TSX**") and TSX Venture Exchange ("**TSXV**") (each, an "**Exchange**" and collectively, the "**Exchanges**"), on the Consultation Paper published by the Canadian Securities Administrators ("**CSA**") entitled "CSA Consultation Paper 51-404 – *Considerations for Reducing Regulatory Burden for Non-Investment Fund Reporting Issuers*" (the

"**Consultation Paper**"). Capitalized terms used in this letter and not specifically defined have the meaning given to them in the Consultation Paper.

TMX Group's interests are aligned with the CSA's, as it is vital to our clients and to all investors that the capital markets in Canada remain fair, efficient and competitive. Our businesses rely on our customers' continued confidence and participation in Canada's capital markets. We believe that achieving the right balance between investor protection and regulatory burden is essential to creating an environment where companies and the Canadian economy can grow and successfully and sustainably compete on an international level. We are pleased that the Consultation Paper is informed by this focus on achieving regulatory balance. We note that many of the potential options to reduce regulatory burden discussed in the Consultation Paper align with work undertaken by TMX Group, particularly work undertaken in the past year and a half. TMX Group looks forward to working with the CSA on initiatives in this area and sharing our expertise with the CSA.

The Exchanges are very supportive of CSA initiatives to reduce the regulatory burden on reporting issuers without impeding the ability of the CSA to fulfill their respective regulatory responsibility to protect investors. We therefore applaud the CSA for considering options to reduce the regulatory burden associated with both capital raising in the public markets and the ongoing costs of remaining a reporting issuer, while not compromising investor protection or the efficiency of the capital markets. We note that addressing undue regulatory burden on reporting issuers is important for ensuring the vibrancy of Canada's capital markets. In conjunction with the initiatives discussed in the Consultation Paper, we encourage the CSA to consider options to address undue regulatory burden on investment dealers, particularly the independent dealer sector. The investment dealer community is a key intermediary between issuers and capital. Therefore, alleviating regulatory burden on investment dealers is complementary to the Consultation Paper's focus on addressing the regulatory burden facing reporting issuers. Finally, we strongly support CSA initiatives aimed at attracting capital to the Canadian capital markets. Such efforts are crucial to assisting reporting issuers, the investment dealer community and, ultimately, the Canadian capital markets as a whole.

Attached as Appendix A to this letter are our comments on some of the options set out in the Consultation Paper.

Thank you for the opportunity to comment on the Consultation Paper. Should you wish to discuss any of the comments with us in more detail, we would be pleased to respond.

Yours truly,

[redacted]

Ungad Chadda
President
Capital Formation, Equity Capital Markets

[redacted]

Brady Fletcher
Managing Director
TSX Venture Exchange

APPENDIX A
COMMENTS ON THE CONSULTATION PAPER

Part 1: Options to Reduce Regulatory Burden in Addition to the Options Discussed in the Consultation Paper

1.1 Embracing Financial Technology and Regulatory Technology

Various securities regulators around the world, including a number in Canada, have recently launched programs to support innovative projects in the financial technology ("**fintech**") and regulatory technology ("**regtech**") spaces. In February 2017, the CSA launched its own regulatory sandbox to support businesses in these sectors. As a technology driven solutions provider, TMX Group strongly supports these programs.

We encourage the CSA and its constituent members to build on these programs by investing in and facilitating technology solutions to reduce the regulatory burden on reporting issuers, particularly with respect to compliance with continuous disclosure obligations. Such solutions have the potential to reduce the time and expense incurred by reporting issuers to comply with continuous disclosure requirements, without reducing the substantive disclosure received by investors. Moreover, by unlocking reporting issuer disclosure data from the current format, primarily consisting of PDF documents filed on SEDAR, regulators would be better able to use data to leverage new forms of analytics and artificial intelligence to fulfil their regulatory mandate.

In this regard, we have initiated our own review of filing and disclosure obligations imposed on listed issuers to determine how technology can be used to streamline current requirements. On June 1, 2017, TSX proposed certain changes to its personal information form ("**PIF**") designed to improve the listed issuer experience.[1] Ultimately, the Exchanges anticipate that they will be automating and making the PIF digitally available online.

The Exchanges believe that similar improvements can be made to continuous disclosure requirements in securities legislation and the systems used to comply with those requirements. The current system of continuous disclosure, which is rooted in the core disclosure documents prescribed under National Instrument 51-102 – *Continuous Disclosure Obligations* and various ancillary documents, includes many duplicative data entry requirements and is not well suited to take advantage of recent advances demonstrated in the fintech and regtech sectors. Rather, the prescribed disclosure documents are generally completed in a word processing program, converted to PDF, and siloed off from one another so reporting issuers must enter the same data multiple times, as required in each document. Although reporting issuers are increasingly using technology vendors to record corporate data in cloud-based solutions, in most cases the data must still be manually input into a word processing program in order to create a disclosure document. We believe that technology could be applied to reduce much of the work currently involved in this process by linking this data to approved templates, where appropriate, and automating the disclosure process.

Even incremental changes to reduce the regulatory burden on reporting issuers would have a significant multiplier effect when compared to the investment required to implement such changes. For example, the disclosure requirements regarding executive compensation are found in a number of different places in securities legislation. Significant effort is often involved in tracking these various requirements and complying with them, although the data actually being

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[1] TSXV will also use the same PIF once the amendments are finalized.

disclosed is relatively straightforward. Given that most reporting issuers already record compensation matters in an electronic database, it is not difficult to imagine a technology solution that would automatically retrieve the relevant data from such database to eliminate the manual processing tasks required to comply with the current disclosure requirements. In the case of stock options, standardization and automation of disclosure would also potentially make it easier for listed issuers to comply with stock exchange filing requirements, as exchanges also require information regarding outstanding stock options.

As securities regulators, the CSA plays a crucial role in defining the ground rules for innovation and setting the technological standards upon which third party developers can create solutions. In the short term, the CSA should convene a forum with other interested parties to identify the initial steps to move toward a more efficient continuous disclosure system. In the longer term, by drafting securities legislation with a view to standardization and automation, securities regulators can create a platform for technology providers to create new and better systems for compliance. Over time, securities regulators could then endorse new methods of using technology to comply with continuous disclosure requirements, thereby reducing the risk for reporting issuers in adopting time-saving solutions. The Exchanges believe that doing this in connection with the initiatives discussed in the Consultation Paper would enable Canada to become a global regtech leader.

1.2 Attracting Additional Capital to the Canadian Capital Markets

The Exchanges applaud the CSA's ongoing efforts to attract more capital to the Canadian capital markets, including its efforts to modernize the exempt market by introducing new prospectus exemptions and modifying or harmonizing existing ones. We believe that these exemptions provide important means for issuers to access capital through the exempt market, particularly for start-ups and small and medium-sized enterprises. We continue to support regulatory efforts that facilitate access to capital through the exempt market while maintaining appropriate investor protection. We strongly encourage the CSA to continue its efforts to harmonize the prospectus exemptions across all Canadian jurisdictions so that such exemptions will benefit all market participants, regardless of the jurisdiction of their lead regulator.

The Exchanges strongly support the CSA's initiatives to work with fintech businesses to support innovation and promote capital formation, particularly through its regulatory sandbox initiative and the fintech initiatives launched by certain constituent CSA members. We note that TMX Group has undertaken important work in this area over the past year. In October 2016, TMX Group announced the members of the Advancing Innovation Roundtable (the "**Innovation Roundtable**"), a 12-member independent working group that includes prominent senior leaders from Canada's financial services sector, including finance, investment and capital formation. The Innovation Roundtable's mission is to deliver actionable recommendations on how to increase access to growth capital for Canadian innovation economy companies as they grow beyond the seed and start-up stages. In February 2017, the Innovation Roundtable published a comprehensive report containing recommendations, sourced from both public and private markets, on how to close the growth capital gap in Canada. This report is publicly available on our website. We look forward to working closely with the CSA to share the knowledge gained from the Innovation Roundtable.

The Innovation Roundtable noted that small-cap and micro-cap companies are hindered by a dearth of independent research, limiting investor interest, exacerbating liquidity challenges and delaying institutional support. Both start-up and growth stage financings as well as analyst coverage are mostly the domain of the smaller investment banks that cater to this scale of company. In recent years, however, the independent dealer community in Canada has been challenged, resulting in a significant change in the capital markets ecosystem. While we support a healthy independent dealer sector, additional self-serve and easy to use tools and information should be made available to help retail investors better identify and understand investment opportunities for these kinds of issuers, thereby generating greater participation in Canada's public venture market. We believe that the CSA's support of fintech and digital initiatives that help connect issuers with sources of capital is crucial to promoting such capital formation.

1.3 Fostering the Independent Dealer Community

We support a healthy investment dealer sector and we strongly encourage the CSA to consider options to address undue regulatory burden on investment dealers, particularly the independent dealer sector. The investment dealer community is a key intermediary between issuers and capital. Therefore, alleviating unnecessary regulatory burden on investment dealers is complementary to the Consultation Paper's focus on addressing regulatory burden facing reporting issuers. We note that, like reporting issuers, investment dealers also face compliance costs associated with rules that are no longer relevant or provide no clear benefit to the market or investors.

Therefore, we encourage the CSA to engage in an examination of the regulatory burden facing independent investment dealers in conjunction with its examination of the regulatory burden facing reporting issuers. For example, we encourage the CSA to consider its 2015 guidance regarding the steps that must be taken to support the reliance on the accredited investor protection exemption. From discussions with marketplace participants, we understand that this guidance has led issuers and/or investment dealers to request and retain extensive documentation and information about investors, which has created additional complexity and expense in the capital formation process. While we acknowledge the investor protection concerns associated with selling exempt securities to investors that do not qualify as accredited investors, we encourage the CSA to consider whether the measures encouraged in the 2015 guidance are disproportionate to the investor protection concerns this guidance was meant to address. We believe that similar efforts to address undue regulatory burden on both issuers and the independent dealer community will make the public capital markets more attractive to issuers and will facilitate capital formation.

Part 2: Options to Reduce Regulatory Burden Discussed in the Consultation Paper

2.1 Extending the Application of Streamlined Rules to Smaller Reporting Issuers

The Exchanges support maintaining the current distinction between venture and non-venture reporting issuers based on exchange listing. The Exchanges believe that the current approach is simpler to understand and more predictable for both investors and issuers. As discussed in more detail below, the Exchanges believe that it is more effective for the capital markets for the CSA to streamline regulatory requirements in a manner that benefits all reporting issuers and their investors, rather than simply extending venture issuer requirements to issuers listed on senior exchanges.

The current method of delineating venture and non-venture issuers based on exchange listing allows investors to easily identify and understand both the securities law obligations and exchange requirements applicable to the issuer, as well as to make assumptions about the maturity and sophistication of the issuer, without further inquiry. If the CSA adopts a sized-based distinction rather than an exchange listing distinction, it will be more difficult for investors to determine the securities law requirements applicable a particular issuer since there would be varying securities law requirements for issuers listed on the same exchange. This would effectively result in four categories of listed issuers based on whether the issuer is a venture/non-venture issuer from a securities law perspective and a venture/non-venture issuer from an exchange listing perspective, rather than the current system of two categories. The Exchanges believe that this result may be confusing to investors, which may negatively impact investors' understanding of and confidence in the public capital markets.

The Exchanges believe that a sized-based distinction between venture and non-venture issuers would be less predictable than the current regime, which may be more burdensome for issuers than beneficial. Currently, issuers can choose whether to be a venture or non-venture issuer based on their exchange listing. As a venture exchange, TSXV is a capital formation platform with rules tailored to junior issuers that facilitate capital raising by these issuers. As issuers mature, they are able to build credibility in the capital markets and plan for the adoption of non-venture issuer level disclosure and structural arrangements (i.e., disclosure regarding board diversity, share based compensation arrangements that comply with the recommendations of proxy advisory firms, etc.) before graduating to a senior exchange. A sized-based distinction would give issuers less control over the securities law requirements applicable to them, which would make planning of this nature more difficult. In addition, a size-based distinction may result in an issuer having different securities law requirements from year to year, which may be burdensome for the issuer, as well as confusing for the marketplace. The current approach of delineating between venture and non-venture reporting issuers based on exchange listing does not give rise to these complications.

2.2 Reducing the Regulatory Burdens Associated with the Prospectus Rules and Offering Process

(a) Reducing the Audited Financial Statement Requirements in an IPO Prospectus

The Exchanges support extending the eligibility criteria for the provision of two years of audited financial statements to all issuers. The Exchanges do not believe that this change will adversely impact the ability of investors to obtain useful disclosure about issuers. Furthermore, the Exchanges believe that this change will meaningfully reduce the expense, time and effort associated with becoming a Canadian public company.

The Exchanges do not believe that reducing the audited financial statement requirements in an IPO prospectus to two years will have an adverse impact on investors. Over a three year period, many issuers, especially early stage issuers, experience fundamental changes in the nature of their business or operations. For example, these businesses often experience significant changes in management, debt facilities and business strategy, as well as significant growth. Businesses are valued based on financial projections using the most representative fiscal year, typically, the most recently completed fiscal year. Accordingly, the third year of historical audited financial statements may not be representative of the current business and may be the least meaningful in the valuation of a business. The Exchanges note that in 2015 the CSA approved amendments that reduced the historical financial statement disclosure required in IPO prospectuses of venture issuers to two years. The Exchanges believe that this regulatory change lends support to premise that the third year of financial statements is of limited relevance to investors. The Exchanges believe this is true irrespective of the size of the issuer. Therefore, the Exchanges are of the view that there is limited benefit to investors from the third year of audited financial statements when compared with the time and expense incurred by issuers when preparing such statements.

The Exchanges believe that requiring two years of financial statements in an IPO prospectus will make the Canadian capital markets more attractive to issuers. We note that in the United States, certain companies, including emerging growth companies,[2] are required to include only two years of audited financial statements in their IPO registration statements. For such companies, a requirement to provide three years of audited financial statements to satisfy Canadian securities law requirements may be a barrier leading the issuer to bypass Canada and to instead go public and list only in the U.S. If a company successfully goes public in the U.S., it may have little incentive to list on a Canadian exchange thereafter. More importantly, listing solely on a U.S. exchange may limit the investment choices for retail Canadian investors. Such investors may have additional costs or limitations associated with buying in the U.S. markets, or may be restricted from buying securities not listed on a Canadian exchange.

Therefore, the Exchanges believe that the benefits to both issuers and the Canadian capital markets as a whole from requiring only two years of audited financial statements in an IPO prospectus outweigh any policy objective associated with requiring three years of audited financial statements.

(b) Streamlining Other Prospectus Requirements

The Exchanges support maintaining the requirement for auditors to review interim financial statements provided in a prospectus. The Exchanges believe that it is appropriate that auditors continue to provide a minimum level of comfort on any financial information included the prospectus that has not been audited. A review of the interim financial statements poses less of a burden on issuers compared to having financial statements audited. Requiring auditors to review interim financial statements is beneficial to investors since the most recent interim period is arguably the most important period to investors as it is the most current.

In addition, the Exchanges believe that most issuers would still choose to have their interim financial statements reviewed by an auditor even if this review is no longer required under securities legislation. The Exchanges note that the auditor's review of the interim statements provides a level of comfort to the issuer's audit committee and board of directors.

Finally, the Exchanges encourage the CSA to consider modifying the prospectus requirements for certain qualifying transactions by TSXV-listed Capital Pool Companies ("**CPCs**"). In particular, TSXV does not believe CPCs that are reporting issuers in Ontario should be required to file enhanced disclosure in the form of a non-offering prospectus in connection with a qualifying transaction involving non-mining and non-oil and gas assets outside Canada and the United States. The Exchanges believe that the expense involved in preparing such disclosure outweighs investor protection concerns.

(c) Streamlining Public Offerings for Reporting Issuers

Short Form Prospectus Offering System

The Exchanges believe that the current short form prospectus system achieves the appropriate balance between facilitating efficient capital raising by reporting issuers and investor protection. However, the Exchanges welcome any measures to simplify, streamline and eliminate duplicative

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[2] We note that "emerging growth company" is defined in under U.S. securities law as an issuer with total annual gross revenues of less than US$1 billion during its most recently completed fiscal year.

information in an issuer's continuous disclosure record and short form prospectus, as long as such measures preserve investor protection.

Facilitating At-The-Market (ATM) Offerings

The Exchanges strongly support adopting measures to further streamline the process for ATM offerings by reporting issuers. In particular, we believe that the Canadian rules relating to ATM offerings should be aligned with the U.S. rules due to the interplay between the Canadian and U.S. markets. For example, the Exchanges understand that CSA exemptive relief permitting ATM offerings has historically been provided based on a cap on the number of shares sold on TSX on any trading day equal to 25 percent of the trading volume on TSX on that date. We note that the U.S. ATM rules do not have a similar daily cap for ATM offerings. Therefore, we encourage the CSA to consider whether this cap continues to be appropriate for Canadian ATM offerings. However, the Exchanges support making the availability of ATM offerings conditional on minimum liquidity thresholds, which is consistent with the U.S. rules.

The Exchanges believe that the exemptive relief typically granted by the CSA for ATM offerings should be codified in securities legislation to further facilitate such offerings. This would eliminate the expense incurred by issuers to prepare exemptive relief applications, particularly when the Exchanges understand that the CSA typically grants such exemptive relief as a matter of course. Therefore, the Exchanges support codifying the following relief for ATM offerings: (i) relief from the requirement to physically deliver a prospectus to purchasers in a distribution of securities; (ii) relief from the requirement to state the right of the purchasers of the securities to withdraw from the purchase during the two business days after the delivery of the prospectus; and (iii) relief from the requirement to state the right of action against the dealer for non-delivery of the prospectus. Finally, we also support requiring issuers to disclose on a quarterly basis (rather than monthly) the number and average price of securities sold pursuant to the ATM offering.

2.3 Reducing Ongoing Disclosure Requirements

(a) Removing or Modifying the Criteria to File a BAR

The Exchanges support CSA efforts to conduct a broader review of the BAR requirements. In particular, we believe that the CSA should consider whether the current significance tests are appropriate and whether a BAR is necessary at all. The Exchanges canvassed representatives of both issuers and investors for feedback on the BAR requirements. Many stakeholders indicated that that the BAR serves no useful purpose, particularly due to the lapse of time before the information in the BAR is made available to the public. While certain stakeholders indicated that the financial statements of the acquired business and the pro forma financial statements included in a BAR may be useful to investors when making investment decisions, especially where no historical information exists, since the BAR is filed 75 days after the completion of an acquisition the information included in the BAR is stale or irrelevant. Therefore, the Exchanges believe that the CSA should consider whether a BAR is necessary. In particular, a BAR is likely unnecessary if the issuer prepares a prospectus connection with the acquisition, as in such situations a BAR provides no new information that is not already provided in the prospectus.

(b) Reducing Disclosure Requirements in Annual and Interim Filings

The Exchanges strongly support CSA efforts to reduce burdensome disclosure requirements in annual and interim filings, particularly by removing duplicative form requirements from the financial statements, MD&A and AIF. As discussed in more detail below under the heading

"Eliminating Overlap in Regulatory Requirements", the Exchanges support consolidating the form requirements for these documents into one form. The Exchanges believe that this change, along with flexible form requirements aimed at encouraging issuers to disclose only relevant and material information and discouraging the use of boilerplate language, will create benefits for issuers and investors. In this regard, the Exchanges note that a question and answer disclosure regime may be a helpful means for the CSA to streamline continuous disclosure requirements. For example, Form 45-106F14 – *Rights Offering Notice for Reporting Issuers* requires issuers to answer specific questions. A similar set of questions for other continuous disclosure documents may be more effective than the current requirements to provide broad descriptions of various matters.

The Exchanges support revamping and shortening the MD&A requirements for all issuers. Generally speaking, issuers frequently include boilerplate language in their disclosure documents in order to comply with form requirements. Because of this heavy use of boilerplate and repetitive language, the MD&A may be a difficult document for investors to read and navigate, since the investor must pick through "filler" language in order to get to useful disclosure. Therefore, the Exchanges support streamlining the MD&A requirements, including by requiring the disclosure of only relevant and material information. Such streamlined disclosure should be more efficient for issuers to prepare and should provide more meaningful disclosure to investors.

The Exchanges caution that some of the options outlined by the CSA for refocusing annual and interim filings on key information may result in the elimination of information that is important to investors. For example, the discussion of prior period results in the MD&A is valuable information for an investor. This discussion puts the current quarter into context. As interim financial statements are prepared for the current quarter and the year to date, excluding the discussion of the prior period results would result in an incomplete analysis of the financial statements. Similarly, the Exchanges note that including a tabular summary of quarterly results for the eight most recently completed quarters in the MD&A provides a useful sequential analysis of financial results. It is more efficient for investors to have this information in one document than to review prior MD&A disclosure to retrieve this information.

The Exchanges also encourage the CSA to consider streamlining the continuous disclosure requirements related to executive compensation, particularly Form 51-102F6 – *Statement of Executive Compensation*. As discussed above under the heading "Embracing Financial Technology and Regulatory Technology", complying with these disclosure requirements requires issuers to engage in significant manual data entry and word processing. Additionally, the resulting disclosure is very complex and may not be useful to unsophisticated investors. Therefore, the Exchanges support CSA efforts aimed at reducing the time and expense incurred by issuers to prepare executive compensation disclosure while ensuring such disclosure is useful to investors.

(c) Permitting Semi-Annual Reporting

The Exchanges believe that it is good business practice for reporting issuers to report on a quarterly basis. Such reporting provides timely information regarding financial results, which enables investors to evaluate business trends and make informed investment decisions. Requiring quarterly reporting requires issuers to periodically, consistently and transparently communicate with their investors about their business. By contrast, semi-annual reporting may be too long a time period to track trends, key developments, liquidity issues and other financial developments in the business. Therefore, while the Exchanges are not opposed to permitting semi-annual reporting, the Exchange believe that such reporting must be at the option of the issuer so that issuers that wish to continue reporting quarterly may do so. If the CSA permits semi-annual reporting, the CSA should include a mechanism that limits the ability of issuers to change between the two different financial reporting regimes without a valid reason.

The Exchanges note that there are a variety of market forces that make semi-annual reporting an unattractive option for many reporting issuers. First, the Exchanges understand that institutional investors are unlikely to accept semi-annual reporting. Such investors typically consider quarterly reporting to be a good corporate governance practice and expect timely information regarding their investments. Second, quarterly reporting is required under U.S. securities law. Due to the interplay between the Canadian and U.S. capital markets, including the number of Canadian reporting issuers that are also listed on a U.S. exchange, there is a strong market expectation that all North American reporting issuers will provide quarterly financial reporting to investors. Finally, larger, more sophisticated issuers may conduct quarterly reporting internally (i.e., to the board of directors) regardless of securities law requirements. Many issuers may determine that it is fair and reasonable that such information be shared with the issuer's investors as well. Therefore, the Exchanges believe that larger issuers or issuers wishing to have an institutional investor base will continue to provide quarterly reporting due to these market forces, regardless of securities law requirements regarding semi-annual reporting.

However, the Exchanges note that for a subset of junior issuers, the burden associated with quarterly reporting may outweigh both these market forces and the benefit investors derive from quarterly reports. For example, early stage development issuers with no significant revenues simply may not have information to report on a quarterly basis. Reporting on a quarterly basis may not make sense for these issuers. Therefore, if the CSA decides to permit semi-annual financial reporting, the Exchanges believe that it would be best suited to certain junior issuers. Additionally, due to the interplay between the Canadian and U.S. capital markets discussed above, should the U.S. Securities Exchange Commission exempt smaller reporting issuers from quarterly reporting, then the Exchanges would be supportive of the CSA extending similar relief to smaller reporting issuers. However, the Exchanges believe that semi-annual reporting must be at the option of the reporting issuer.

The Exchanges are supportive of permitting non-venture issuers to have the option to replace interim MD&A with a quarterly highlights document. However, we request that the CSA provide further details and guidance on, for example, (i) eligibility criteria; (ii) triggers for ineligibility; (iii) what controls would be required to be in place to ensure that an issuer does not arbitrarily switch between reporting obligations; and (iv) what information would be required to be included in the quarterly highlights.

2.4 Eliminating Overlap in Regulatory Requirements

The Exchanges are very supportive of CSA efforts to remove duplicative requirements from all continuous disclosure documents. The Exchanges believe that such efforts will reduce the time and expense incurred to prepare these documents and will make key information easier for investors to locate and understand.

The Exchanges strongly support eliminating MD&A form requirements that duplicate IFRS requirements. Currently, MD&A disclosure regarding financial instruments and key accounting policies appear to be replicated directly from the financial statement notes. The focus of the MD&A is to highlight key financial performance measures and why they have changed from the last quarter, trends that management may be anticipating in the next quarter and any material issues with respect to the issuer's current and future liquidity and capital resources. The MD&A should not be a detailed rehashing of the individual financial statement line items nor a duplication of information in the financial statement notes. The focus of the MD&A disclosure should be to highlight key issues that enable the investor to evaluate the business through the eyes of management and to make informed investment decisions.

Furthermore, the Exchanges support consolidating the MD&A, AIF (if applicable) and annual financial statements into one document. The Exchanges note that in preparing the AIF, many issuers incorporate by reference large sections of the annual financial statements and MD&A. Therefore, a consolidated document will be beneficial to investors because they will no longer have to locate and access numerous documents when looking for current material information regarding the issuer. A consolidated document would also be beneficial to issuers. It would reduce the risk of inconsistent disclosure across three separate documents and eliminate the duplicative internal efforts and resources associated with preparing and reviewing three different documents with three different, but overlapping, sets of form requirements.[3]

The form requirements for this new document should strongly encourage issuers to focus their disclosure on key and material highlights, material changes from prior periods, key trends and important developments about liquidity and capital resources as opposed to simply including boilerplate language to comply with form requirements. The form requirements should be flexible enough that they discourage issuers from using language that is boilerplate, repetitive of information provide in prior reporting periods, duplicative or “filler” so that more meaningful disclosure is presented. Form requirements of this nature are beneficial to investors, as these requirements should encourage issuers to make continuous disclosure documents easier for investors to navigate and understand. Form requirements of this nature will also benefit issuers, as such requirements should enable issuers to more efficiently comply with their disclosure obligations and focus their efforts on disclosure that is useful to investors.

Finally, the Exchanges believe that the CSA should consider expanding the definition of “designated foreign jurisdiction” in National Instrument 71-102 – *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* to include additional foreign jurisdictions. The Exchanges believe that extending the continuous disclosure exemptions provided pursuant to this rule to more foreign issuers will eliminate duplicative reporting in Canada and the foreign jurisdiction and will make the Canadian capital markets more attractive to foreign issuers. This may provide Canadian retail investors with increased access to global investment opportunities.

2.5 Enhancing Electronic Delivery of Documents

The Exchanges support permitting a reporting issuer to satisfy the delivery requirements under securities legislation by making continuous disclosure documents (including proxy materials, financial statements and MD&A) publicly available electronically without prior notice or consent. The CSA should require that investors are made aware on an annual basis that such materials are available, and should require that the documents are easily accessible and available for paper delivery at the investor’s request. The Exchanges do not believe that this model would have an adverse impact on investors.

[3] We note, however, that the form requirements for this consolidated document should require that the auditors’ opinion continues to cover only the audited financial statements portion of the document.