

INVESTOR ADVISORY PANEL

July 13, 2017

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of 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, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon
Superintendent of Securities, Nunavut

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

The Panel is pleased to provide its response to this Canadian Securities Administrators (CSA) Consultation Paper that seeks to identify and consider areas of securities legislation that could benefit from a reduction of undue regulatory burden, without compromising investor protection or the efficiency of the capital market.

We also support the CSA in adopting an approach to regulation that protects investors and seeks to reflect the business realities of Canadian reporting issuers striving to remain competitive. To that end, we generally support a reduced regulatory burden insofar as it makes the system more efficient and more attractive for small companies to issue securities and if it ensures continued market efficiency.

However, the Panel cautions that this cannot be done at the cost of transparency and investor protection. Investors must have in their hands the information that they need to make informed decisions. At the same time, it must be delivered to investors in a way that is both relevant, meaningful and clear – in plain language and through channels that are the most useful and timely to recipients.

Below we provide specific answers to consultation questions in Part 2 related directly to retail investors.

2.1 Extending the application of streamlined rules to smaller reporting issuers

Would a size-based distinction between categories of reporting issuers be preferable to the current distinction based on exchange listing? Why or why not?

It must also be made clear to investors the distinction between reporting requirements for larger and smaller issuers along with any potential risks. This is essential – it must be apparent to an investor which issuers offer lighter disclosure, which ones are required to offer more, and why.

2.3 Reducing ongoing disclosure requirements

(a) Removing or modifying the criteria to file a business acquisition report (BAR)

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?

Overall, the Panel believes that BAR reporting should remain and be disclosed in cases where the acquisition is material in terms of dollars or overall impact on the business.

The BAR provides relevant information but it must be made in clear language. BAR should explain the cost of the acquisition, how it fits with the current business, why the company was purchased and what value-added it will bring, as well as potential effect on current share value.

(c) Permitting semi-annual reporting

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

The Panel supports disclosure through audited semi-annual statements as opposed to quarterly.

2.4 Eliminating overlap in regulatory requirements

Should we consolidate the MD&A, AIF (if applicable) and financial statements into one document? Why or why not?

The Panel recommends that the AIF and MD&A be combined into one document and that this can be used for various reporting organizations.

Overall, duplication and overlap should be eliminated, and document requirements should be harmonized.

2.5 Enhancing electronic delivery of documents

Do you think it is appropriate for a reporting issuer to satisfy the delivery requirements under securities legislation by making proxy materials, financial statements and MD&A publicly available electronically without prior notice or consent and only deliver paper copies of these documents if an investor specifically requests paper delivery? If so, for which of the documents required to be delivered to beneficial owners should this option be made available?

The Panel supports the use of electronic delivery as the default, however, issuers should not assume that delivery means access. Rather, they must provide investors with the option to receive hard copies if desired.

Are there other ways electronic delivery of documents could be further enhanced through securities legislation?

Issuers should always communicate with investors using plain language and a readable, clear font. All communication should be meaningful and have sufficient context and clarity to make it useful for investors. It should also be easily accessible to investors.

Yours truly,

Letty Dewar
Chair, Investor Advisory Panel