

## Draft Regulations

Securities Act

(chapter V-1.1, s. 331.1, pars. (1), (3), (9), (19), (19.1) and (34), and s. 331.2)

### Regulation 52-108 respecting Auditor Oversight and concordant regulations

Notice is hereby given by the *Autorité des marchés financiers* (the "Authority") that, in accordance with section 331.2 of the *Securities Act*, R.S.Q. c. V-1.1, the following Regulations, the texts of which are published hereunder, may be made by the Authority and subsequently submitted to the Minister of Finance and the Economy for approval, with or without amendment, after 90 days have elapsed since their publication in the Bulletin of the Authority:

- *Regulation 52-108 respecting Auditor Oversight;*
- *Regulation to amend Regulation 41-101 respecting General Prospectus Requirements;*
- *Regulation to amend Regulation 51-102 respecting Continuous Disclosure Obligations;*
- *Regulation to amend Regulation 71-102 respecting Continuous Disclosure and Other Exemptions Relating to Foreign Issuers.*

Draft amendments to the following policy statement are also published hereunder:

- *Policy Statement to Regulation 52-108 respecting Auditor Oversight;*
- *Amendments to Policy Statement to Regulation 51-102 respecting Continuous Disclosure Obligations;*
- *Amendments to Policy Statement to Regulation 71-102 respecting Continuous Disclosure and Other Exemptions Relating to Foreign Issuers.*

### Request for comment

Comments regarding the above may be made in writing by **January 15, 2013**, to the following:

M<sup>e</sup> Anne-Marie Beaudoin  
Corporate Secretary  
Autorité des marchés financiers  
800, square Victoria, 22<sup>e</sup> étage  
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## **Further information**

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**October 17, 2013**

**CSA Notice and Request for Comment****Proposed Replacement of  
*Regulation 52-108 respecting Auditor Oversight***

*Draft Regulation to amend Regulation 41-101 respecting General Prospectus Requirements,  
Draft Regulation to amend Regulation 51-102 respecting Continuous Disclosure Obligations and  
Draft Regulation to amend Regulation 71-102 respecting Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*

**October 17, 2013.**

**Introduction**

We, the Canadian Securities Administrators (CSA) are publishing for a 90-day comment period the proposed materials:

- *Regulation 52-108 respecting Auditor Oversight* (Regulation 52-108),
- *Policy Statement to Regulation 52-108 respecting Auditor Oversight*,

(together, the Amended Auditor Oversight documents), and regulations to amend

- *Draft Regulation to amend Regulation 41-101 respecting General Prospectus Requirements*;
- *Draft Regulation to amend Regulation 51-102 respecting Continuous Disclosure Obligations* (Regulation 51-102);
- *Draft Amendments to Policy Statement to Regulation 51-102 respecting Continuous Disclosure Obligations*;
- *Draft Regulation to amend Regulation 71-102 respecting Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* (Regulation 71-102);
- *Draft Amendments to Policy Statement to Regulation 71-102 respecting Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*;

(together, the Proposed Amendments).

The Amended Auditor Oversight documents will replace current *Regulation 52-108 respecting Auditor Oversight* (the Current Auditor Oversight documents).

The text of the proposed materials published with this notice is also published on the websites of a number of the members of the CSA.

## **Substance and purpose**

Consistent with the Current Auditor Oversight documents, the main purpose of the Amended Auditor Oversight documents is to contribute to public confidence in the integrity of financial reporting of reporting issuers by promoting high quality, independent auditing. In the Amended Auditor Oversight documents, we are proposing to change the triggers in Regulation 52-108 for when a public accounting firm must deliver to the securities regulatory authority a notice relating to remedial actions imposed by the Canadian Public Accountability Board (CPAB). We expect this will result in a greater number of notices than is currently the case.

We are proposing amendments to Regulation 51-102 relating to information about changes in auditor to ensure that reporting issuers provide more timely and complete information. Furthermore, to improve transparency, we are proposing to add a requirement to disclose in a prospectus, if applicable, that an auditor is not subject to the oversight program of CPAB. Finally, we are adding a requirement to Regulation 71-102 to require foreign issuers to comply with Regulation 52-108; this will align a foreign issuer's obligations with their auditor's obligations relating to auditor oversight.

## **Background**

The Current Auditor Oversight documents was developed in connection with the creation of CPAB, which began its operations in October 2003.

The Current Auditor Oversight documents requires a reporting issuer to have the auditor's report signed by a public accounting firm that has entered into a participation agreement with CPAB and to be in compliance with any restrictions or sanctions imposed by CPAB. In addition, it requires a public accounting firm to provide notice to the securities regulator, and in some cases, the audit committees and board of directors of each reporting issuer client, of certain restrictions or sanctions imposed by CPAB.

## **Summary of the proposed materials**

We are proposing the following key changes in the proposed materials from existing requirements:

- require a public accounting firm to deliver a notice to the securities regulatory authority if CPAB imposes certain types of remedial actions regardless of the labels CPAB attaches to them (e.g., “sanction” or “restriction”);
- require a public accounting firm to notify its reporting issuer clients if it is not in compliance with certain requirements in the Instrument;
- require disclosure in a prospectus, if the financial statements of the issuer included in the prospectus were audited by an auditor that, as at the date of the most recent auditor's report on financial statements included in the prospectus, was not required to be subject to, and was not subject to the oversight program of CPAB;
- reduce the filing period from 30 days to 14 days for a change of auditor notice required by Regulation 51-102 following the termination, resignation or appointment of an auditor by a reporting issuer;

- require a predecessor auditor or a successor auditor to notify the regulator on a timely basis if a reporting issuer does not file a change of auditor notice required by Regulation 51-102; and
- add a condition to the current exemptions in Regulation 71-102 relating to audited financial statements of SEC foreign issuers and designated foreign issuers to require compliance with Regulation 52-108. This aligns the requirements for foreign issuers with the current requirement for an auditor of a foreign issuer to comply with Regulation 52-108.

We are not, at this time, proposing any substantive changes to the existing requirements for when a public accounting firm must provide notice to the audit committees of its reporting issuer clients about remedial actions imposed by CPAB. We propose to defer consideration of this issue until further developments are made on a recommendation by the Enhancing Audit Quality (EAQ) initiative that more information on CPAB inspection results be made available to audit committees.

The EAQ initiative was led by the Chartered Professional Accountants of Canada and CPAB. In its May 31, 2013 report, it was recommended that CPAB and the audit firms it oversees develop a protocol for increasing the extent of information made available to audit committees. As part of the protocol, the EAQ initiative recommended that, if CPAB has inspected the audit file of a particular company, its auditors would provide the audit committee, on a confidential basis, with a summary of any significant findings of the inspection and the firm's response to those findings.

We will request periodic updates on the development of a protocol and will provide input when appropriate. After further efforts to develop a protocol, the CSA will consider the need for potential changes to the requirements in Regulation 52-108 for notice to audit committees.

### **Anticipated costs and benefits**

We expect the proposed materials will improve the quality and extent of information that public accounting firms must deliver to the regulator relating to remedial actions imposed by CPAB which will assist the regulator in its oversight and review of the financial statement filings of reporting issuers. We also expect that reporting issuers and public accounting firms generally will not incur any significant incremental costs to implement the proposed materials.

### **Local matters**

An annex to this Notice outlines proposed amendments to local securities legislation. Each jurisdiction that is publishing local amendments will publish an annex outlining the proposed local amendments for that jurisdiction.

### **Request for comments**

We welcome your comments on the proposed materials. Please submit your comments in writing by January 15, 2014. If you are not sending your comments by email, please also send an electronic file containing the submissions (in Microsoft Word format).

Address your submission to all of the CSA as follows:

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  
Registrar of Securities, Northwest Territories  
Registrar of Securities, Yukon Territory  
Superintendent of Securities, Nunavut

Deliver your comments **only** to the addresses below. Your comments will be distributed to the other participating CSA member jurisdictions.

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Autorité des marchés financiers  
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20 Queen Street West  
22<sup>nd</sup> Floor  
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Fax: 416-593-2318  
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We cannot keep submissions confidential because securities legislation in certain provinces requires publication of a summary of the written comments received during the comment period.

It is proposed that the proposed amendments to *Policy Statement to Regulation 52-108 respecting Auditor Oversight* and to Regulations 41-101, 51-102 and 71-102 which are being published for comment will become effective to coincide with the implementation of amended and restated Regulation 52-108.

## Questions

Please refer your questions to any of the following:

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## **REGULATION 52-108 RESPECTING AUDITOR OVERSIGHT**

Securities Act  
(chapter V-1.1, s. 331.1, par. (1), (3), (9), (19), (19.1) and (34))

### **PART 1 DEFINITIONS AND APPLICATION**

#### **Definitions**

1. In this Regulation:

“CPAB” means the Canadian Public Accountability Board/Conseil canadien sur la reddition de comptes, incorporated as a corporation without share capital under the *Canada Corporations Act* by Letters Patent dated April 15, 2003;

“CPAB rules” means the rules and bylaws of CPAB, as amended from time to time;

“participation agreement” means a written agreement between CPAB and a public accounting firm in connection with CPAB’s program of practice inspections and the establishment of practice requirements;

“participating audit firm” means a public accounting firm that has entered into a participation agreement and that has not had its participant status terminated or, if its participant status was terminated, the status has been reinstated by CPAB;

“professional standards” means the standards, as amended from time to time, listed in section 300 of CPAB rules that are applicable to participating audit firms;

“public accounting firm” means a person engaged in the business of providing services as public accountants.

### **PART 2 AUDITOR OVERSIGHT**

#### **Public Accounting Firms**

2. A public accounting firm that prepares an auditor’s report with respect to the financial statements of a reporting issuer must be, as of the date of its auditor’s report

- (a) a participating audit firm,
- (b) in compliance with any remedial action referred to under subsection 5(1), and
- (c) in compliance with the notice requirements in section 5.

#### **Notice to Reporting Issuer if Public Accounting Firm Not in Compliance**

3. (1) If a public accounting firm has been appointed to prepare an auditor’s report with respect to the financial statements of a reporting issuer and, at any time before signing the audit report, is not in compliance with the requirements of paragraphs 2(a), (b) or (c), the public accounting firm must provide the reporting issuer with notice in writing that it is not in compliance within 2 days of first becoming aware of its non-compliance.

(2) A public accounting firm that has previously provided notice to a reporting issuer under (1) must not notify a reporting issuer that it complies with paragraphs 2(a), (b) or (c) unless it has been informed in writing by CPAB that the circumstances that gave rise to the notice no longer apply.

(3) A public accounting firm must deliver a copy of a notice required under this section to CPAB on the same day that it is delivered to the reporting issuer.

### **Reporting Issuers**

4. A reporting issuer that files its financial statements accompanied by an auditor's report of a public accounting firm must have the auditor's report prepared by a public accounting firm that, as of the date of the auditor's report,

(a) is a participating audit firm, and

(b) has not given the reporting issuer a notice under subsection 3(1) or, if it has given the reporting issuer a notice under subsection 3(1), has notified the reporting issuer that the circumstances that gave rise to the notice no longer apply.

### **PART 3 NOTICE**

#### **Notice of Remedial Action to Regulator or Securities Regulatory Authority**

5. (1) A participating audit firm appointed to prepare an auditor's report with respect to the financial statements of a reporting issuer must deliver a notice to the regulator or, in Quebec, the securities regulatory authority, if any of the following occurs:

(a) CPAB notifies the participating audit firm in writing that it requires the participating audit firm to take one or more of the following remedial actions:

(i) terminate an audit engagement;

(ii) engage an independent monitor to observe and report to CPAB on the participating audit firm's compliance with professional standards;

(iii) engage an external reviewer or supervisor to oversee the work of the participating audit firm;

(iv) limit the type or number of new reporting issuer audit clients the participating audit firm may accept;

(b) CPAB notifies the participating audit firm in writing that it must disclose to the regulator or, in Quebec, the securities regulatory authority, any remedial action not referred to in paragraph (a);

(c) CPAB publicly discloses a remedial action with which the participating audit firm must comply.

(2) The notice required under subsection (1) must be in writing and must include the descriptions CPAB provided the participating audit firm of all of the following:

(a) how the participating audit firm failed to comply with professional standards;

(b) each remedial action that CPAB imposed on the participating audit firm;

(c) for greater certainty, the time frame within which the participating audit firm must comply with each remedial action.

(3) The notice described in subsection (2) must be delivered to the regulator or, in Quebec, the securities regulatory authority, no later than 2 days after the date that CPAB notifies the participating audit firm that it must comply with any remedial action under paragraph (1)(a), (b), or (c).

(4) The participating audit firm must deliver a copy of a notice required under this section to CPAB on the same day that it is delivered to the regulator or, in Quebec, the securities regulatory authority.

#### **Additional Notice Relating to Defects in Quality Control Systems**

6. (1) If CPAB required a participating audit firm to comply with any remedial action relating to a defect in the participating audit firm's quality control systems, and CPAB notifies the participating audit firm that it has not addressed the defect in its quality control systems within the time period required by CPAB, the participating audit firm must deliver a notice to all of the following:

(a) for each reporting issuer for which the participating audit firm is appointed to prepare an auditor's report,

(i) the audit committee, or

(ii) if the reporting issuer does not have an audit committee, the person responsible for reviewing and approving the reporting issuer's financial statements before they are filed;

(b) the regulator or, in Quebec, the securities regulatory authority.

(2) The notice required under subsection (1) must be in writing and must describe all of the following:

(a) the defect in the participating audit firm's quality control systems identified by CPAB;

(b) the remedial action imposed by CPAB, including the date the remedial action was imposed and the time period within which CPAB required the participating audit firm to address the defect in its quality control systems;

(c) why the participating audit firm did not address the defect in its quality control systems within the time period required by CPAB.

(3) A participating audit firm must deliver the notice required under subsection (1) no later than 10 days after the participating audit firm received notice from CPAB in writing that the participating audit firm failed to address the defect in its quality control systems within the time period required by CPAB.

(4) The participating audit firm must deliver a copy of a notice required under this section to CPAB on the same day it is delivered to the regulator or, in Quebec, the securities regulatory authority.

#### **Notice Before New Appointment**

7. (1) A participating audit firm that is seeking an appointment to prepare an auditor's report with respect to the financial statements of a reporting issuer for a financial year must provide notice to the audit committee or, if the reporting issuer does not have an audit committee, the person responsible for reviewing and approving the reporting issuer's financial statements before they are filed, if

(a) the participating audit firm did not audit the financial statements of the reporting issuer for the immediately preceding financial year, and

(b) CPAB informed the participating audit firm within the preceding 12-month period that the participating audit firm failed to address defects in its quality control systems to the satisfaction of CPAB.

(2) The notice required under subsection (1) must be in writing and include the information referred to in subsection 6(2).

#### **PART 4 EXEMPTION**

##### **Exemption**

8. (1) The regulator or the securities regulatory authority may grant an exemption from this Regulation, in whole or in part, subject to such conditions and restrictions as may be imposed in the exemption.

(2) Despite subsection (1), in Ontario, only the regulator may grant such an exemption.

(3) Except in Ontario, an exemption referred to in subsection (1) is granted under the statute referred to in Appendix B of Regulation 14-101 respecting Definitions opposite the name of the local jurisdiction.

#### **PART 5 REPEAL AND EFFECTIVE DATE**

##### **Repeal**

9. Regulation 52-108 respecting Auditor Oversight, approved by Ministerial Order 2005-16 dated August 2, 2005, is repealed.

##### **Effective Date**

10. This Regulation comes into force on *(indicate the date of coming into force of this Regulation)*.

## ***POLICY STATEMENT TO REGULATION 52-108 RESPECTING AUDITOR OVERSIGHT***

### **Introduction**

CPAB is an independent oversight body for public accounting firms that audit financial statements of reporting issuers. The purpose of CPAB is to promote high quality external audits of reporting issuers. It is responsible for developing and implementing an oversight program that includes regular inspections of participating audit firms. CPAB's primary means of assessing the quality of audits is through the inspection of selected high-risk sections of audit files and elements of a participating audit firm's quality control systems.

The purpose of *Regulation 52-108 respecting Auditor Oversight* (the "Regulation") is to contribute to public confidence in the integrity of financial reporting by reporting issuers by requiring:

- a reporting issuer to engage an auditor that has entered into a participation agreement with CPAB in connection with CPAB's program of practice inspections and the establishment of practice requirements,
- a participating audit firm to be in compliance with specified remedial actions imposed by CPAB,
- a participating audit firm to provide notice to the regulator or, in Quebec, the securities regulatory authority, if CPAB imposes specified remedial actions, including the termination of an audit engagement or the engagement of an independent monitor to observe and report on compliance with professional standards, and
- a participating audit firm to provide notice to the audit committee or the person responsible for reviewing and approving financial statements, of its reporting issuer clients if the firm failed to address a defect in the firm's quality control systems that was previously identified by CPAB.

The purpose of this Policy Statement is to state the view of the securities regulatory authorities on various matters related to the Regulation.

### **Section 1 - Definition of Participating Audit Firm**

Many of the requirements in the Regulation are linked to the definition of participating audit firm in section 1. For example, section 5 of the Regulation imposes a notice requirement on a participating audit firm in a number of circumstances, including where CPAB requires the firm to terminate an audit engagement. CPAB may impose a remedial action on one or more individuals involved in a professional capacity with the participating audit firm. For purposes of the Regulation, the securities regulatory authorities consider any remedial action imposed by CPAB on an individual acting in a professional capacity with a participating audit firm to be a remedial action imposed on the firm.

### **Section 1 - Definition of Professional Standards**

The definition of professional standards refers to the standards listed in section 300 of CPAB rules, which are standards relating to auditing, ethics, independence and quality control.

### **Subsection 5(1) and Paragraph 6(1)(b) – Notice to Securities Regulatory Authority**

Both subsection 5(1) and paragraph 6(1)(b) of the Regulation require a participating audit firm to deliver a notice to the regulator or, in Quebec, the securities regulatory authority. "Regulator" and "securities regulatory authority" are defined in *Regulation 14-101 respecting Definitions*. Each participating audit firm that is subject to either of these

provisions must deliver the notice to the regulator or, in Quebec, the securities regulatory authority, in each jurisdiction in which the firm is appointed by one or more reporting issuers to prepare an auditor's report with respect to their financial statements. The securities regulatory authorities will consider the notice requirement in each of these provisions of the Regulation to have been satisfied if the notice is sent to [*CSA email address to be added*].

#### **Subsection 5(1) – Remedial Action Imposed by CPAB**

Subsection 5(1) of the Regulation requires a participating audit firm to deliver a notice to the regulator or, in Quebec, the securities regulatory authority, of certain remedial actions imposed by CPAB. CPAB may refer to an item in subsection 5(1) of the Regulation as a recommendation, a requirement, a restriction or a sanction, or CPAB may use a different term. A participating audit firm must deliver the notice under section 5 of the Regulation if the remedial action is described in that section, without regard to how CPAB refers to it. For example, a notice is required by subparagraph 5(1)(a)(i) of the Regulation if CPAB requires a participating audit firm to terminate an audit engagement regardless of whether CPAB refers to it as a recommendation, requirement, restriction, sanction or uses a different term.

#### **Subparagraph 5(1)(a)(iii) – Engagement of an External Reviewer or Supervisor**

Subparagraph 5(1)(a)(iii) of the Regulation requires a participating audit firm to deliver a notice to the regulator or, in Quebec, the securities regulatory authority, if CPAB requires a participating audit firm to engage an external reviewer or supervisor to oversee its work. One example of when a participating audit firm would notify the regulator is when CPAB requires the firm to engage an external engagement quality control reviewer to perform a technical review of one or more audits performed by the firm.

#### **Subparagraph 5(1)(a)(iv) – Limitation on a Participating Audit Firm from Accepting New Reporting Issuer Audit Clients**

Subparagraph 5(1)(a)(iv) of the Regulation requires a participating audit firm to deliver a notice to the regulator or, in Quebec, the securities regulatory authority, if CPAB limits the type or number of new reporting issuer audit clients the firm accepts. The securities regulatory authorities consider this type of limitation to include restrictions on accepting audit engagements of reporting issuers in a particular industry. For example, a participating firm that is limited for any period of time from auditing the financial statements of mining companies is subject to subparagraph 5(1)(a)(iv) in the Regulation even if the firm may continue to audit reporting issuers in other industries.

The securities regulatory authorities also consider the term “new reporting issuer audit client” to refer to any reporting issuer the financial statements of which were not audited by the participating audit firm for the reporting issuer's most recently completed financial year. For example, if a participating firm was asked to audit the financial statements of a reporting issuer for the first time in respect of its 2013 fiscal year, that issuer would be a new reporting issuer audit client of the firm. Similarly, if a participating audit firm had audited the reporting issuer's 2011 financial statements but did not audit the 2012 financial statements, the securities regulatory authorities would also consider the issuer to be a new reporting issuer audit client of the firm in respect of the 2013 financial statement audit.

#### **Paragraph 5(1)(b) – Notice Required at Discretion of CPAB**

Paragraph 5(1)(b) of the Regulation requires a participating audit firm to deliver a notice to the regulator or, in Quebec, the securities regulatory authority, at the discretion of CPAB. One example of when CPAB may require a participating audit firm to notify the regulator is when the firm failed to comply with a remedial action within the period CPAB required.

### **Paragraph 5(2)(b) – Contents of Notice**

Subsection 5(2) of the Regulation sets out the content requirements for a notice delivered to the regulator or, in Quebec, the securities regulatory authority, by a participating audit firm. Paragraph 5(2)(b) requires a participating audit firm to describe each remedial action that CPAB imposed on the firm. This includes, but is not limited to, remedial actions referred to in subsection 5(1). For example, if CPAB requires a participating audit firm to engage an independent monitor under subparagraph 5(1)(b)(ii) of the Regulation and also imposes additional remedial actions on the firm other than those referred to in subsection 5(1), the notice must include a complete description of such other remedial actions.

## REGULATION TO AMEND REGULATION 41-101 RESPECTING GENERAL PROSPECTUS REQUIREMENTS

Securities Act

(chapter V-1.1, s. 331, par. (1), (19) and (19.1))

1. Form 41-101F1 of Regulation 41-101 respecting General Prospectus Requirements is amended:

(1) by replacing, in the French text of item 8.4, the words “de ses titres comportant droit de vote ou de ses titres de capitaux propres” with the words “de titres comportant droit de vote ou de titres de capitaux propres de l’émetteur”;

(2) by adding, after item 26.1, the following:

**“Auditor that was not a participating audit firm**

**“26.1.1.**

(1) If the auditor referred to in section 26.1 was not a participating audit firm, as defined in Regulation 52-108 respecting Auditor Oversight, as at the date of the most recent auditor’s report on financial statements included in the prospectus, include a statement in substantially the following form:

“*[Audit Firm A] audited the financial statements of [Entity B] for the year ended [state the period of the most recent financial statements included in the prospectus] and issued an auditor's report dated [state the date of the auditor's report for the relevant financial statements]. As at [state the date of the auditor's report for the relevant financial statements], [Audit Firm A] was not required by securities legislation to enter, and had not entered, into a participation agreement with the Canadian Public Accountability Board. An audit firm that enters into a participation agreement is subject to the oversight program of the Canadian Public Accountability Board.*”.

(2) If an auditor of the financial statements required by Item 32 was not a participating audit firm, as defined in Regulation 52-108 respecting Auditor Oversight, as at the date of the most recent auditor’s report issued by that auditor on financial statements included in the prospectus, include a statement in substantially the following form:

“*[Audit Firm C] audited the financial statements of [Entity D] for the year ended [state the period of the most recent financial statements, if any, included in the prospectus under Item 32] and issued an auditor's report dated [state the date of the auditor's report for the relevant financial statements]. As at [state the date of the auditor's report for the relevant financial statements], [Audit Firm C] was not required by securities legislation to enter, and had not entered, into a participation agreement with the Canadian Public Accountability Board. An audit firm that enters into a participation agreement is subject to the oversight program of the Canadian Public Accountability Board.*”.

2. This Regulation comes into force on *(indicate the date of coming into force of this Regulation)*.

## REGULATION TO AMEND REGULATION 51-102 RESPECTING CONTINUOUS DISCLOSURE OBLIGATIONS

Securities Act

(chapter V-1.1, s. 331, par. (3), (19) and (19.1))

1. Section 1.1 of Regulation 51-102 respecting Continuous Disclosure Obligations is amended, in paragraph 1, by replacing, in the French text of subparagraph (iii) of paragraph (k) of the definition of “solicit”, the words “faite, à titre de client” with the words “faite aux porteurs, en tant que clients”.

2. Section 4.11 of the Regulation is amended:

(1) in paragraph (5):

(a) in subparagraph (a):

(i) by replacing, in the text preceding subparagraph (i), “10” with “3”;

(ii) by replacing, in clause (ii)(C), “20” with “7”;

(b) by replacing, in paragraph (b), “30” with “14”;

(2) in paragraph (6):

(a) in subparagraph (a):

(i) by replacing, in the text preceding subparagraph (i), “10” with “3”;

(ii) by replacing, in clause (ii)(C), “20” with “7”;

(iii) by replacing, in subparagraph (iii), “20” with “7”;

(b) in subparagraph (b):

(i) by replacing, in the text preceding subparagraph (i), “30” with “14”;

(ii) by deleting, in subparagraph (iv), the word “either”.

(3) by replacing paragraph (8) with the following:

“(8) If a reporting issuer does not file the reporting package required to be filed under subparagraph (5)(b)(ii) or the news release required to be filed under subparagraph (5)(b)(iv), the predecessor auditor must, within 3 days of the required filing date, advise the reporting issuer in writing of the failure and deliver a copy of the letter to the regulator or, in Quebec, the securities regulatory authority.”;

(4) by adding, after subsection (8), the following:

“(9) If a reporting issuer does not file the reporting package required to be filed under subparagraph (6)(b)(ii) or the news release required to be filed under subparagraph (6)(b)(iv), the successor auditor must, within 3 days of the required filing date, advise the reporting issuer in writing of the failure and deliver a copy of the letter to the regulator or, in Quebec, the securities regulatory authority.”.

3. Section 8.10 of the Regulation is amended by replacing, in the French text of paragraph (e) of paragraph 3, the word “normalement” with the words “, si le présent article ne s’appliquait pas,”.

4. Form 51-102F2 of the Regulation is amended, in the French text of Part 2:

(1) by deleting, in paragraph (1) of item 3.1, the word “social”;

(2) in paragraph (1.2) of item 10.2:

(a) by replacing, in subparagraph (a), the words “été poursuivi par ses créanciers, conclu un concordat ou un compromis avec eux, intenté des poursuites contre eux, pris des dispositions ou fait des démarches en vue de conclure un concordat ou un compromis avec eux, ou pour laquelle un séquestre, un séquestre-gérant ou un syndic de faillite a été nommé pour détenir ses biens” with the words “fait l’objet ou été à l’origine d’une procédure judiciaire, d’un concordat ou d’un compromis avec des créanciers, ou pour laquelle un séquestre, un séquestre-gérant ou un syndic de faillite a été nommé afin de détenir l’actif”;

(b) by replacing, in subparagraph (b), the words “été poursuivi par ses créanciers, conclu un concordat ou un compromis avec eux, intenté des poursuites contre eux, pris des dispositions ou fait des démarches en vue de conclure un concordat ou un compromis avec eux, ou si un séquestre, un séquestre-gérant ou un syndic de faillite a été nommé pour détenir ses biens” with the words “fait l’objet ou été à l’origine d’une procédure judiciaire, d’un concordat ou d’un compromis avec des créanciers, ou un séquestre, un séquestre-gérant ou un syndic de faillite a été nommé afin de détenir son actif”;

(3) in item 16.2:

(a) by replacing, in paragraph (2.1), the words “une vérification” with the words “un audit” and the words “des vérificateurs” with the words “des auditeurs”;

(b) by inserting, in paragraph (3) and after “Indiquer si une personne,”, “ou un administrateur,”.

5. Form 51-102F5 of the Regulation is amended, in the French text of item 7.2 of Part 2:

(1) by replacing, in subparagraph (b), the words “été poursuivie par ses créanciers, conclu un concordat ou un compromis avec eux, intenté des poursuites contre eux, pris des dispositions ou fait des démarches en vue de conclure un concordat ou un compromis avec eux, ou pour laquelle un séquestre, un séquestre-gérant ou un syndic de faillite a été nommé pour détenir ses biens” with the words “fait l’objet ou été à l’origine d’une procédure judiciaire, d’un concordat ou d’un compromis avec des créanciers, ou pour laquelle un séquestre, un séquestre-gérant ou un syndic de faillite a été nommé afin de détenir l’actif”;

(2) by replacing, in subparagraph (c), the words “été poursuivi par ses créanciers, conclu un concordat ou un compromis avec eux, intenté des poursuites contre eux, pris des dispositions ou fait des démarches en vue de conclure un concordat ou un compromis avec eux, ou si un séquestre, un séquestre-gérant ou un syndic de faillite a été nommé pour détenir ses biens” with the words “fait l’objet ou été à l’origine d’une procédure judiciaire, d’un concordat ou d’un compromis avec des créanciers, ou un séquestre, un séquestre-gérant ou un syndic de faillite a été nommé afin de détenir son actif”.

6. This Regulation comes into force on *(indicate the date of coming into force of this Regulation)*.

**AMENDMENTS TO POLICY STATEMENT TO REGULATION 51-102  
RESPECTING CONTINUOUS DISCLOSURE OBLIGATIONS**

1. *Policy Statement to Regulation 51-102 respecting Continuous Disclosure Obligations* is amended by adding, after section 4.3, the following:

**“4.4. Predecessor and successor auditor reporting of non-compliance with change of auditor requirements**

Subsections 4.11(8) and 4.11(9) of the Regulation require a predecessor and successor auditor to deliver to the securities regulatory authority a copy of a letter sent to a reporting issuer advising a reporting issuer of its failure to comply with the change of auditor reporting requirements. “Securities regulatory authority” is defined in *Regulation 14-101 respecting Definitions*. The securities regulatory authorities will consider the notice requirement in each of these provisions of the Regulation to have been satisfied if the notice is sent to [CSA email address to be added].”

2. Section 12.3 of the Policy Statement is amended by inserting, in the French text of paragraph (c) of paragraph 5 and after the words “qui se rapporte à un terrain”, the word “minier,”.

## **REGULATION TO AMEND REGULATION 71-102 RESPECTING CONTINUOUS DISCLOSURE AND OTHER EXEMPTIONS RELATING TO FOREIGN ISSUERS**

Securities Act

(chapter V-1.1, s. 331, par. (9) and (19))

**1.** Section 1.2 of Regulation 71-102 respecting Continuous Disclosure and Other Exemptions Relating to Foreign Issuers is amended by replacing the French text of paragraph (b) of paragraph (1) with the following:

“*b*) les titres de capitaux propres de l’émetteur assujetti étranger qui sont représentés par un certificat américain d’actions étrangères ou une action américaine représentative d’actions étrangères émise par un dépositaire détenant des titres de capitaux propres de l’émetteur assujetti étranger.”.

**2.** Section 4.3 of the Regulation is amended:

(1) by adding, in paragraph (c) and after the words “annual financial statements”, the words “required to be”;

(2) by adding, after paragraph (e), the following, and making the necessary changes:

“(f) complies with Regulation 52-108 respecting Auditor Oversight.”.

**3.** Section 5.4 of the Regulation is amended by adding, after paragraph (e), the following, and making the necessary changes:

“(f) complies with Regulation 52-108 respecting Auditor Oversight.”.

**4.** This Regulation comes into force on (*indicate the date of coming into force of this Regulation*).

**AMENDMENTS TO POLICY STATEMENT TO REGULATION 71-102  
RESPECTING CONTINUOUS DISCLOSURE AND OTHER EXEMPTIONS  
RELATING TO FOREIGN ISSUERS**

1. *Policy Statement to Regulation 71-102 respecting Continuous Disclosure Obligations and other Exemptions Relating to Foreign Issuers* is amended by replacing section 6.4 with the following:

**“6.4. Financial statements and auditor’s report relief**

Section 4.3 of the Regulation provides certain relief for an SEC foreign issuer relating to financial statements and auditors’ reports on annual financial statements. Section 5.4 provides similar relief for a designated foreign issuer. The relief is available only if the particular foreign issuer meets all of the conditions listed in sections 4.3 and 5.4, respectively, including the requirement to comply with *Regulation 52-107 respecting Acceptable Accounting Principles and Auditing Standards* and *Regulation 52-108 respecting Auditor Oversight*. Sections 4.3 and 5.4 do not provide relief from

(a) the certification requirements in *Regulation 52-109 respecting Certification of Disclosure in Issuers’ Annual and Interim Filings*, or

(b) the audit committee requirements in *Regulation 52-110 respecting Audit Committees*.

SEC foreign issuers and designated foreign issuers must look to those regulations for any exemptions that may be available to them.”.