

Summary of Oversight and Regulatory Activities

September 2020

DIRECTION PRINCIPALE DU FINANCEMENT DES SOCIÉTÉS

THE **DIRECTION PRINCIPALE DU FINANCEMENT DES SOCIÉTÉS** ("CORPORATE FINANCE") IS RESPONSIBLE FOR ENSURING THAT INVESTORS ARE PROTECTED AND MARKETS OPERATE EFFICIENTLY.



DEVELOPMENT, IMPLEMENTATION and **OVERSIGHT** of the application of guidance and regulations related to securities distributions, mergers and acquisitions, and ongoing requirements for reporting issuers in Québec and insiders.

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Message from the Senior Director, Corporate Finance

I am proud to present the 4th annual summary of Corporate Finance's key accomplishments. This edition is especially meaningful for me because it will be the last one I oversee. Retirement beckons!

I wish to thank all the members of the Corporate Finance team. This summary would not have been possible without them and is testimony to the work they do, each and every day, to further the AMF's mission of promoting efficient securities markets and protecting investors.

This past year will be remembered for the coronavirus pandemic. To say it had a major impact on issuers' operations would be an understatement. We responded by taking a number of actions, including providing relief to issuers by extending certain continuous disclosure filing deadlines.¹

Of our 156 issuers² required to file their disclosures during the relief period, 36 took advantage of the 45-day extension for the filing of their quarterly or annual financial statements and MD&As. Of those 36, only three used this relief for both their quarterly and annual filings, demonstrating our issuers' resilience amid the crisis and their commitment to providing timely information to the markets.

1 Decision No. 2020-PDG-0023 *Décision générale relative à la prolongation de délais concernant certaines obligations d'information continue et de prospectus applicables aux émetteurs et aux agences de notations désignées* dated March 23, 2020 (Blanket order regarding extensions for certain continuous disclosure and prospectus requirements applicable to issuers and designated rating organizations); Decision No. 2020-PDG-0034 *Décision générale relative à une dispense de certaines obligations de dépôt ou d'envoi de documents pour les porteurs de titres* dated May 1, 2020 (Blanket order regarding temporary exemption from certain requirements to file or send securityholder materials); Decision No. 2020-PDG-0037 *Décision générale relative à la prolongation de délais concernant certaines obligations d'information continue et de prospectus applicables aux émetteurs pour la période du 2 juin 2020 au 31 août 2020* dated May 20, 2020 (Blanket order regarding extensions for certain continuous disclosure and prospectus requirements applicable to issuers for the period from June 2, 2020 to August 31, 2020).

2 Eighty-three venture issuers (31 year-end or quarterly disclosures) and 73 non-venture issuers (eight year-end or quarterly disclosures).



We also published notices outlining our expectations regarding disclosure of the effects of the COVID-19 pandemic.³ We are currently conducting issuer-oriented reviews to ensure that these expectations are understood and met. The outcomes of these reviews will be presented in our next annual summary.

Because of the work done to develop an integrated framework for the oversight of reporting issuers with respect to securities regulation obligations under Corporate Finance's responsibility, we are able, both in our analyses relating to the pandemic and in our other ongoing activities, to focus more closely on real risks and better monitor the marketplace. The *Innovating* section of this report provides more information on how this project is progressing.

Finally, our regulatory projects continue to move ahead, but at a pace that necessarily takes into account restrictions resulting from the pandemic. We felt it was appropriate to postpone the publication of the final or consultative versions of some projects so as not to place an additional burden on our issuers and their advisors. The dates shown in the list of regulatory initiatives are therefore subject to change. As usual, your comments on these initiatives are important. We value and look forward to your input.

It has been a pleasure and an honour for me to lead Corporate Finance. I hope you find this summary a useful and enjoyable read.

Lucie J. Roy

Senior Director, Corporate Finance



³ https://www.securities-administrators.ca/uploadedFiles/General/pdfs/COVID-19_Continuous_Disclosure_Obligations_and_Considerations_for_Issuers.pdf.

NOTE: For ease of reading, the full names of regulations (including the forms), policy statements and notices are listed in Appendix A.

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ABBREVIATIONS AND ACRONYMS USED IN THIS SUMMARY

AMF:	Autorité des marchés financiers	IPO:	Initial public offering
CDR Program:	Harmonized Continuous Disclosure Review Program	IOSCO:	International Organization of Securities Commissions
CSA:	Canadian Securities Administrators	NRD:	National Registration Database
CPC:	Capital pool company	SEDAR:	System for Electronic Document Analysis and Retrieval
CSE:	Canadian Securities Exchange	SEDI:	System for Electronic Disclosure by Insiders
GAAP:	Generally accepted accounting principles	SPAC:	Special purpose acquisition corporation
GDP:	Gross domestic product	TMX:	TMX Group
IAS:	International accounting standards	TSX:	Toronto Stock Exchange
IASB:	International Accounting Standards Board	TSXV:	TSX Venture Exchange
IFRS:	International Financial Reporting Standards		

PROFILE

We encourage you to read this section, which provides a snapshot of Québec companies and presents the outcomes of continuous disclosure and prospectus reviews.



Companies

IN FIGURES!⁴

1,916 reporting issuers in Québec

673⁵ reporting issuers for which the AMF is the principal regulator

56% venture issuers

44% other issuers

⁴ Figures under this heading are as at March 31, 2020.

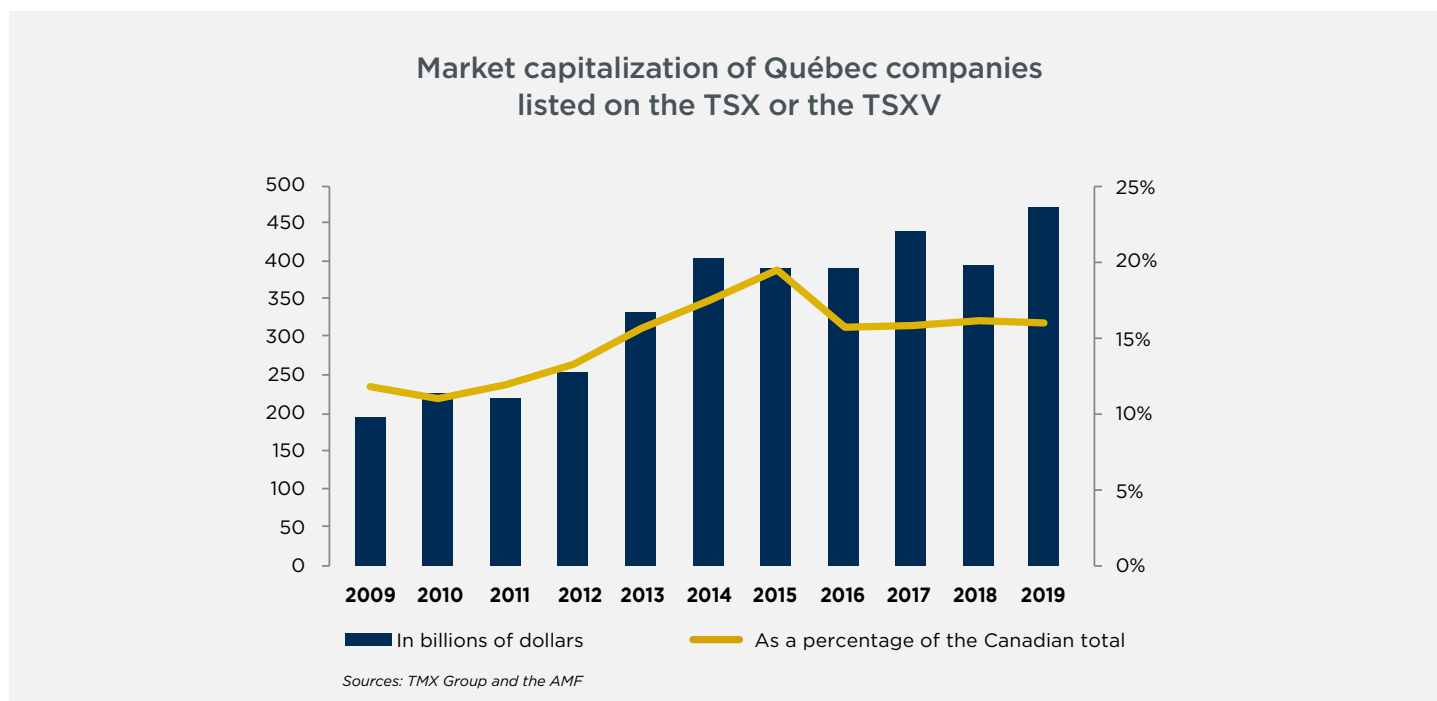
⁵ Including 171 issuers under cease trade orders and 216 Desjardins caisses (credit unions).

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Companies (continued)

PROFILE OF QUÉBEC COMPANIES LISTED ON THE TSX OR THE TSXV

The following graph shows the changes in the market capitalization of all Québec companies⁶ listed on the TSX or the TSXV. It also shows the market capitalization of Québec companies as a percentage of the market capitalization of all companies in Canada from 2009 to 2019.



In 2018, the market capitalization of Québec companies was \$396 billion or 16% of the market capitalization of all companies in Canada. In 2019, their total market capitalization increased to \$469 billion but still accounted for 16% of the market capitalization of all companies in Canada. The total market capitalization of all companies in the rest of Canada increased by the same percentage as for Québec companies. However, Québec companies' share of the market capitalization of all companies in Canada (16%) continued to be smaller than Québec's share of Canada's GDP (19.2%).⁷

The number of Québec companies listed on the TSX or the TSXV went from 184 to 181 over the past year, a slight decrease that is in keeping with the downward trend observed over the last ten years in both Québec and Canada as a whole.

In addition to the Québec companies listed on the TSX or the TSXV, 12 Québec companies were listed on the CSE in 2019, down from 13 in 2018. However, their total market capitalization increased from \$157 million in 2018 to \$200 million in 2019.⁸

6 Companies headquartered in Québec.

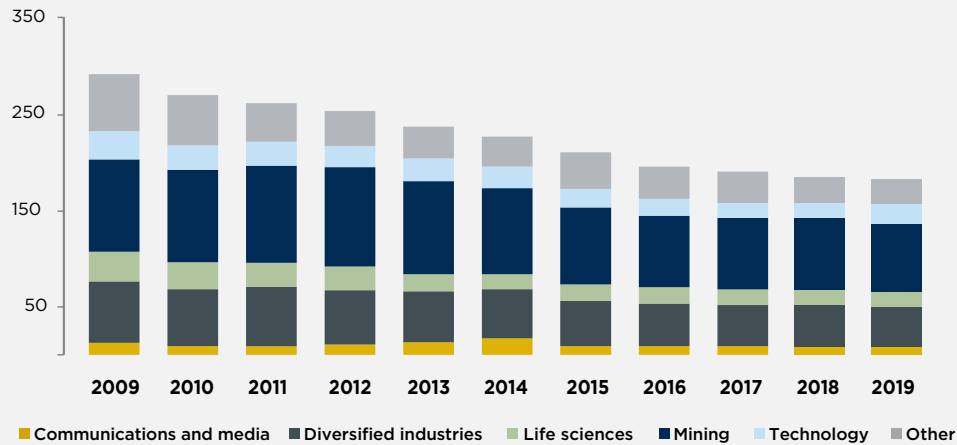
7 Sources: Statistics Canada and the AMF.

8 Source: S&P Capital IQ Platform (S&P Global).

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Companies (continued)

Number of Québec companies listed on the TSX or the TSXV by industry sector⁹



Sources: TMX Group and the AMF

DISTRIBUTIONS BY QUÉBEC COMPANIES IN PUBLIC MARKETS

In 2019, 395 prospectuses were filed in Canada: 148 in all Canadian provinces (37%); 89 in all Canadian provinces except Québec (23%); and 158 in some Canadian provinces (40%), including, in some cases, Québec.

The number of IPOs has been decreasing in Canada for the past few years. In 2019, there were 18 IPOs¹⁰ on the TSX or the TSXV, down from 24 one year earlier.¹¹ The total value of IPOs in Canada in 2019 approximated \$687 million.¹²

Québec companies completed the following transactions in 2019:

- one IPO on the TSX
- one IPO on the NASDAQ
- one IPO on the TSX by a CPC

Moreover, one Québec company was listed on an exchange through a qualifying transaction.

In 2019, Québec companies raised \$1.5 billion on the public markets,¹³ 57% less than in 2018.

⁹ Life sciences includes three Québec companies in the cannabis industry. In addition, there are no Québec companies in the cryptocurrency sector.

¹⁰ Not including the 59 IPOs completed by CPCs, the IPO completed by a SPAC and the 28 IPOs for securities that were listed on the CSE.

¹¹ Source: TMX Group.

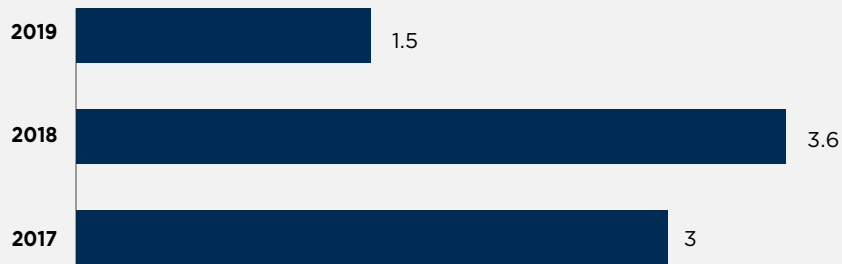
¹² Source: TMX Group. Not including the value of the IPOs of the CPCs (about \$27.5 million), the SPAC (about \$466 million) and the companies listed on the CSE (about \$42.7 million).

¹³ Source: TMX Group.

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Companies (continued)

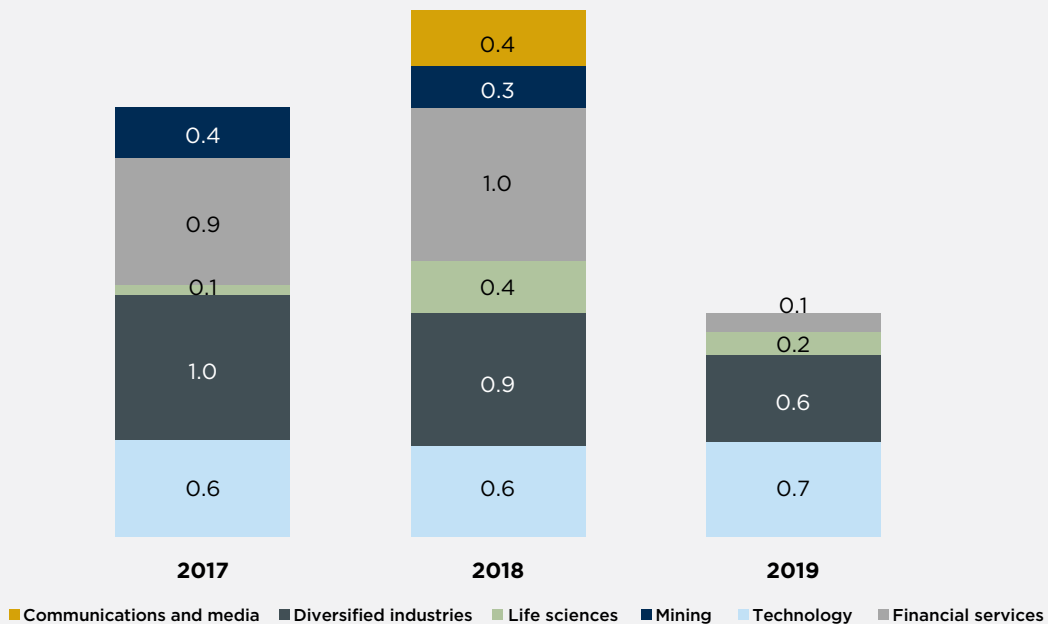
Amounts raised by Québec companies on the public markets
(in billions of dollars)



Most distributions were by Québec companies in technology and diversified industries,¹⁴ representing respectively 43% and 39% of total capital raised in 2019.

Distributions by Québec companies in financial services dropped to fourth place in 2019 from second place in both 2018 and 2017. The following graph shows the breakdown of distributions by Québec companies from 2017 to 2019 by industry sector.

Distributions by Québec companies listed on the TSX or the TSXV
(in billions of dollars)



14 The TMX sector classification is used. The diversified industries sector includes consumer products and services, industrial products and services, and real estate.

1 Companies (continued)

DISTRIBUTIONS BY QUÉBEC COMPANIES IN THE EXEMPT MARKET

In addition to accessing capital on the public markets, Québec companies raised \$9.1 billion in the exempt market in 2019,¹⁵ up 11% from \$8.1 billion in 2018.

The following table shows a breakdown of exempt market data for distributions by Québec companies under the four most frequently used [Regulation 45-106](#) prospectus exemptions requiring a report of exempt distribution: accredited investor (section 2.3); family, friends and business associates (section 2.5); offering memorandum (section 2.9); and minimum amount investment (\$150,000) (section 2.10). Distributions made under other prospectus exemptions requiring a report of exempt distribution accounted for less than 1% of total distributions in 2019.

Exempt market distribution amounts: 2017 to 2019

(in thousands of dollars)

	ACCREDITED INVESTOR (S. 2.3)	FAMILY, FRIENDS AND BUSINESS ASSOCIATES (S. 2.5)	OFFERING MEMORANDUM (S. 2.9)	MINIMUM AMOUNT INVESTMENT (S. 2.10)	
TOTAL DISTRIBUTIONS					
2017	Reporting issuers	\$4,729,522	\$4,796	\$5	\$799,787
	Non-reporting issuers	\$2,084,120	\$2,876	\$28,306	\$2,151,793
	Total 2017	\$6,813,642	\$7,672	\$28,311	\$2,951,581
	% of all exempt distributions	66%	0.07%	0.27%	29%
2018	Reporting issuers	\$2,326,546	\$2,931	\$0	\$203,778
	Non-reporting issuers	\$4,278,758	\$9,970	\$29,460	\$1,181,517
	Total 2018	\$6,605,304	\$12,901	\$29,460	\$1,385,295
	% of all exempt distributions	81%	0.16%	0.36%	17%
2019	Reporting issuers	\$4,703,501	\$3,100	\$0	\$1,803,472
	Non-reporting issuers	\$2,444,194	\$18,712	\$24,101	\$8,275
	Total 2019	\$7,147,695	\$21,812	\$24,101	\$1,811,747
	% of all exempt distributions	79%	0.24%	0.27%	20%

In 2019, 159 Québec companies filed a report of exempt distribution.

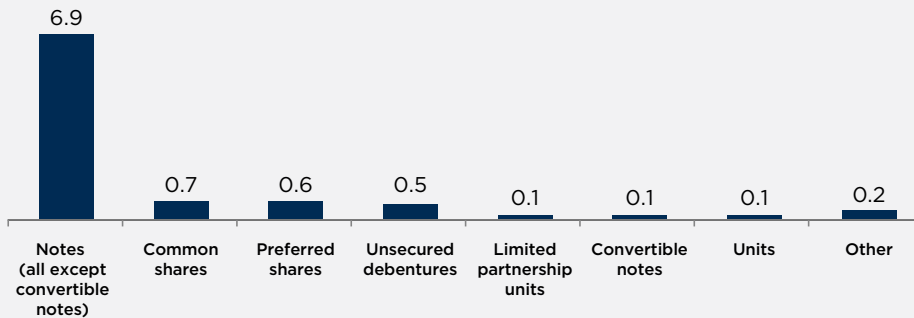
Moreover, as illustrated by the graph below, notes (other than convertible notes) representing \$6.9 billion accounted for 75% of all securities distributed by Québec companies in the exempt market in 2019; common shares, 7.7% (\$0.7 billion); and preferred shares, 6.6% (\$0.6 billion).

¹⁵ Source: AMF.

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Companies (continued)

Exempt market distributions in 2019 by securities issued
(in billions of dollars)

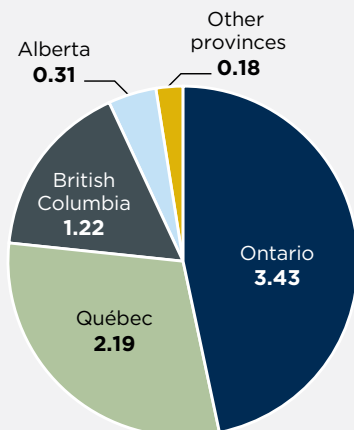


Québec companies distributed their securities primarily to prospective purchasers residing in Canada, who bought securities representing 81% of the amounts raised in 2019, or \$7.3 billion, while U.S. investors purchased securities representing 13% of the amounts raised by Québec companies, or \$400 million.

Of the amounts accessed by Québec companies in the exempt market in Canada, 47% were raised from residents of Ontario and 31% from residents of Québec.

The following chart shows the breakdown of exempt market distributions to Canadian purchasers by province of residence.

Distributions by Québec companies to Canadian purchasers based on their province of residence
(in billions of dollars)



In addition, on 16 occasions, the AMF permitted Québec companies to conduct distributions outside Québec (under a prospectus or a prospectus exemption), for the following total amounts:

- CA\$475 million
- US\$52 billion
- €107 billion

The raised amounts may differ from the authorized amounts.

DID YOU KNOW?

Québec companies raised a total of \$10.6 billion in both the public and exempt markets in 2019, down from \$11.8 billion in 2018.

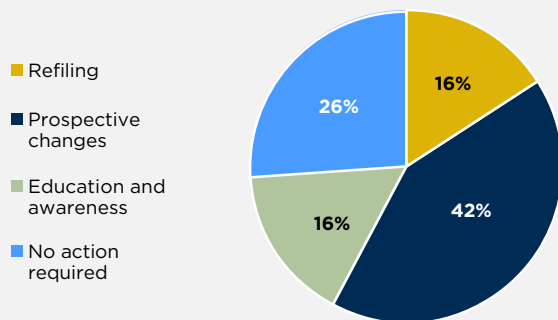
2

Outcomes of continuous disclosure reviews

The continuous disclosure regulations are intended to ensure that companies provide investors with high-quality disclosure. The CDR Program ensures that companies understand and comply with their obligations under those regulations.

The outcomes of our full and issue-oriented reviews conducted under the CDR Program¹⁶ are divided into four categories: refiling, prospective changes, education and awareness, and no action required.¹⁷ Some reviews include more than one outcome. For example, we may require a company to refile certain documents and make prospective changes to other documents. The following are the outcomes for the sample from the fiscal year ended March 31, 2020.

OUTCOMES OF CDR PROGRAM REVIEWS



In 58% of all cases, we required companies to take action to improve or make changes to their continuous disclosure.

In 16% of all cases, our outcomes related to education and awareness, particularly in connection with a reorganization study.

In 26% of all cases, no action was required, and we are satisfied with how the companies implemented our previous recommendations.

The most common recommendations made to companies addressed the following:

- Financial statements: compliance with IFRS—for example, disclosure concerning the adoption of new accounting standards, financial instruments and cash flows
- MD&As: compliance with [Form 51-102F1](#)—for example, disclosure by companies regarding the discussion of operations and liquidity, or compliance with [CSA Staff Notice 52-306 \(Revised\)](#) in presenting adjusted financial measures
- Other continuous disclosure documents—for example, compliance of technical reports with [Regulation 43-101](#) and compliance with [Regulation 52-110](#) of audit committee information presented in information circulars or annual information forms

¹⁶ For further details on the CDR Program, see [CSA Staff Notice 51-312 \(Revised\)](#).

¹⁷ For a description of the categories, see [CSA Staff Notice 51-355](#).

3

Outcomes of prospectus reviews

We oversee the application of regulatory requirements relating to preliminary and final prospectuses filed by Québec companies for which the AMF is the principal regulator. Our reviews include oversight of companies' obligations to ensure that their prospectuses and the documents incorporated by reference constitute full, true and plain disclosure of all material facts relating to securities issued or proposed to be distributed. In 2019-2020, the most common observations raised in reviews of prospectuses filed by Québec companies covered the following items:

- *Use of proceeds:* We expect a company to provide an appropriate breakdown of the funds it expects to raise under the relevant items of the prospectus. The company should specify as much as possible the purposes for which the funds will be used and avoid indicating that they will be used only, or mostly, for general corporate purposes
- *Risk factors:* It is preferable to present the risk factors that apply specifically to the company and avoid using risk factors that are too vague or not based on the company's actual circumstances, as this prevents investors from assessing the challenges and restrictions faced by the company when seeking financing by way of a prospectus
- *Disclosure of any acquisitions:* For example, if a business acquisition is not a significant acquisition within the meaning of [Regulation 51-102](#), but the company describes it in its prospectus, the AMF will consider it to be material information. The company's prospectus should, therefore, include any useful information to help a prospective purchaser make an informed investment decision, such as the price paid for the cost of the assets to and liabilities assumed by the company that filed the prospectus

Our prospectus reviews also led to observations that, although less common, are especially important given their impact on a prospective purchaser's investment decision. As a result, we will pay special attention to these topics during following prospectus reviews:

- *Conflicts of interest:* There were some cases of companies that failed to include adequate information in their prospectus about an actual or potential conflict of interest. Failure to disclose such information may materially influence an investment decision. A company must also provide any information required under [Regulation 33-105](#) concerning any conflict of interest involving a company and an underwriter in the distribution
- *No reference to a source of information:* We observed that some companies include information from the markets, their industry sectors, third parties or their own internal resources in their prospectus but did not reference the source of the information. Under the general requirement to provide full, true and plain disclosure of all material facts relating to the securities to be distributed, a company should provide the source of any material information that may influence a purchaser's investment decision. AMF staff will intervene not only when it deems information to be material but also if providing users with its source would enable them to weigh the substance of the information when making an investment decision (e.g., a sector's projected sales for the coming years, the company's positioning in the industry)

3 Outcomes of prospectus reviews (continued)

Lastly, it is important to remember that, when filing a preliminary prospectus, a company must also file a table of directors and executive officers. This table helps to expedite the application of routine controls, including verification of the Personal Information Form and Authorization of Indirect Collection, Use and Disclosure of Personal Information (the "Form"). In order to prevent undue delays, the company would do well to adopt best practices for developing such a table by including the following:

- full name
- position held with the company
- date of birth
- home address
- SEDAR project number, if the Form has already been filed



EDUCATING

We encourage you to read this section carefully in order to familiarize yourself with the deficiencies we observed in the course of our oversight activities. It also includes examples of corrected disclosures the AMF requires and specific actions it may take. You will also find useful tips and reminders that will help you prepare documents in accordance with securities legislation.



BE CAREFUL: THE AMF MAY INTERVENE!

Companies that fail to comply with their obligations under securities legislation may:

- be required to correct and refile the document
- be required to make changes to subsequent filings
- be placed on a public list of defaulting companies
- be subject to a cease trade order
- be refused a receipt for prospectus financings
- be subject to administrative sanctions
- be required to delay a meeting of securityholders
- be required to change the composition of their board of directors



1

Accounting and regulatory issues – application of new accounting standards



Application of new accounting standards

When new IFRS standards come into effect, companies have to modify their accounting policies and provide the additional information required under the new standards. Companies must also make sure that the description of their accounting policies includes entity-specific information and not only boilerplate language from the standard. This section contains findings relating to the application of recent IFRS standards.

FIRST FINDING relating to IFRS 15 *Revenue from Contracts with Customers* (IFRS 15)

We found that some companies do not provide disclosures that disaggregate revenue into categories. The extent to which revenue is disaggregated depends on the facts and circumstances of the company’s contracts with customers. Examples of appropriate categories include: type of good or service (e.g., major product lines), geographical region (e.g., country or region), market or type of customer (e.g., government and non-government customers).

The following is an example of a corrected disclosure we require

NON-COMPLIANT DISCLOSURE

No disaggregation of revenue disclosure.

CORRECTED DISCLOSURE

Partial excerpt of a note to the financial statements

The Company has disaggregated revenue from sales to customers for each segment by geographical region and market.

	December 31							
	Total		Sector 1		Sector 2		Sector 3	
	2019	2018	2019	2018	2019	2018	2019	2018
Geographical region								
Canada	\$ 35,000	\$ 28,000	\$ 14,000	\$ 12,600	\$ 8,750	\$ 6,160	\$ 12,250	\$ 9,240
United States	22,000	25,000	8,800	11,250	5,500	5,500	7,700	8,250
Europe	29,000	27,000	11,600	12,150	7,250	5,940	10,150	8,910
Asia	15,000	14,000	6,000	6,300	3,750	3,080	5,250	4,620
Other countries	4,500	3,000	1,800	1,350	1,125	660	1,575	990
Total	\$ 105,500	\$ 97,000	\$ 42,200	\$ 43,650	\$ 26,375	\$ 21,340	\$ 36,925	\$ 32,010
Market								
Private sector – Retail	\$ 40,090	\$ 30,070	\$ 16,036	\$ 13,532	\$ 10,023	\$ 6,615	\$ 14,032	\$ 9,923
Private sector – Wholesale	15,825	13,580	6,330	6,111	3,956	2,988	5,539	4,481
Public sector	49,585	53,350	19,834	24,008	12,396	11,737	17,355	17,606
Total	\$ 105,500	\$ 97,000	\$ 42,200	\$ 43,650	\$ 26,375	\$ 21,340	\$ 36,925	\$ 32,010

1 Accounting and regulatory issues – application of new accounting standards (continued)

FIRST FINDING relating to IFRS 15 *Revenue from Contracts with Customers* (IFRS 15) (continued)

How to comply with the requirements in paragraphs 114 and B87 to B89 of IFRS 15

Companies must disaggregate revenue by categories that give a basis for investors to assess how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

SECOND FINDING relating to IFRS 9 *Financial instruments* (IFRS 9)

We found that some companies did not measure certain financial instruments correctly. If the credit risk on a financial instrument has not increased significantly since initial recognition, a company must measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses or, under the simplified approach, at an amount equal to lifetime expected credit losses.

The following is an example of a corrected disclosure we require

NON-COMPLIANT DISCLOSURE

Excerpt from a note to the financial statements

The Company performs ongoing credit reviews of all its customers and establishes a provision for expected credit losses when the likelihood of collecting the account has significantly diminished.

CORRECTED DISCLOSURE

Excerpt from a note to the financial statements

The Company measures the provision for expected credit losses, which is weighted by the probability of a default occurring. The Company considers the payment performance history and geographic economic outlook of customers, including the impact of commodity prices on their customers' operations.

How to satisfy the requirements of paragraph 5.5.18 of IFRS 9

Companies must properly measure expected credit losses and consider risk in order to provide high-quality disclosure to investors.

1 Accounting and regulatory issues – application of new accounting standards (continued)

THIRD FINDING relating to IFRS 7 *Financial instruments: disclosures* (IFRS 7)

We found that the description of accounting policies for financial instruments was sometimes incomplete. For example, some companies did not define default, describe the way they determine that financial assets are credit-impaired assets or describe the estimation techniques, inputs and assumptions used, as required by IFRS 7.

The following is an example of a corrected disclosure we require

NON-COMPLIANT DISCLOSURE

No definition of default.

CORRECTED DISCLOSURE

Excerpt of a note to the financial statements

The Company considers a financial asset to be in default when it is unlikely that credit obligations will be repaid in full without recourse by the company to recovery actions or when the financial asset is more than 90 days past due. Moreover, a financial asset is considered impaired when one or more events have a detrimental impact on the borrower, including bankruptcy, significant financial difficulty or a material breach of contract.

How to comply with the requirements in subparagraphs 35F (b) and (d) and paragraph 35G of IFRS 7

Companies must present a complete description of their accounting policies for financial instruments that gives a basis for users of the financial statements to assess the effect of credit risk on the amount, timing and uncertainty of future cash flows, including information about their credit risk management practices and how those practices relate to the recognition and measurement of expected credit losses.

FOURTH FINDING relating to IFRS 16 *Leases* (IFRS 16)

We found that some companies did not fully disclose the effect the new standard had on leases. In particular, some companies did not present certain assumptions used in measuring lease liabilities, such as the lease expenses not considered or the lease extension options considered.

The following is an example of a corrected disclosure we require

NON-COMPLIANT DISCLOSURE

Excerpt of a note to the financial statements on leases

The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee.

As at June 30, 2018, the Company had lease commitments of \$9,967,900. As at June 30, 2019, a portion of those commitments represented short-term leases or leases of low-value assets. As at that same date, for the remaining commitments, the company recorded \$6,857,500 in right-of-use assets and lease liabilities.

1 Accounting and regulatory issues – application of new accounting standards (continued)

CORRECTED INFORMATION

Partial excerpt of a note to the financial statements on leases

As at June 30, 2019, the Company owned a distribution centre and a warehouse and was leasing 255 stores, its head office, two warehouses and rolling stock.

The Company recognizes a right-of-use asset and a corresponding lease liability for all lease agreements in which it is the lessee, except for short-term leases (defined as a lease that has a lease term of 12 months or less) and certain leases for which the underlying asset is of low value.

As at June 30, 2018, the Company had lease commitments of \$9,967,900. As at June 30, 2019, \$875,000 of those commitments represented short-term leases or leases of low-value assets for which an expense was recorded on a straight-line basis over the lease term. As at that same date, for the remaining commitments, the Company recorded \$6,857,500 in right-of-use assets and lease liabilities. Some leases provide for variable lease payments based on changes in percentage of sales. These types of payments totalled approximately \$3,000,000 and are expensed as incurred [...].

How to comply with the requirements in paragraph 51 of IFRS 16

A company must disclose in the notes to the financial statements information that gives a basis for the users of the financial statements to assess the effect that leases have on its financial position. In particular, it must explain the reasons why future cash outflows were not reflected in the measurement of lease liabilities, whether due to variable lease payments or any other reason. It is also important to inform investors of the accounting choices made for lease extension options and the application of permitted exemptions and resulting impact on earnings.

Impact of applying a new accounting standard on the discussion in the management's discussion and analysis (the "MD&A")

The adoption of a new accounting standard without the restatement of comparative figures may be allowed under IFRS. However, when discussing their financial performance in the MD&A, companies must assess the impact of the new standard on the disclosed financial measures, as it could be misleading to compare a measure when its composition is not consistent from one year to the next. We found deficiencies in this regard in the MD&As of some companies following the adoption of IFRS 16. A number of companies had not restated the impact of the new standard on the comparative year. Since IFRS 16 requires the recognition of a depreciation charge and interest expense instead of an operating expense, it favours the use of financial measures such as earnings before interest, taxes, depreciation and amortization (EBITDA).

Example of the impact of the adoption of IFRS 16 on EBITDA

	2019 Financial statements	2018 Restated for IFRS 16	2018 Financial statements
EBITDA	\$150	\$175	\$125

In this example, the company's EBITDA actually declined 14% over the past year, mainly due to fewer orders during the last quarter. It would be misleading to state that EBITDA rose 20% without restating the previous year's figures for IFRS 16.

2

Issues related to capital pool companies that complete a qualifying transaction



The TSXV administers a CPC program that provides CPCs with a unique listing vehicle. A CPC headquartered in Québec that wishes to conduct an IPO by way of a prospectus or complete a qualifying transaction must consider the AMF's position on the terms and conditions of this program. Although the AMF allows Québec CPCs to participate in the program, we believe it is essential to investor protection that the disclosure in the filing statement or information circular relating to the qualifying transaction be reviewed so as to ensure compliance with securities legislation, including the detailed provisions set out in [Policy Statement 41-601Q](#).

During our reviews, we noted significant deficiencies in the information disclosed by CPCs when completing their qualifying transactions. The following are some of our findings as well as a reminder of the applicable requirements for each identified deficiency.

FIRST FINDING

We noted that the target company's business were inadequately described.

How to comply with the requirements in item 5 of [Form 41-101F1](#)

It is important to clearly describe the target company's business so that investors have a precise understanding of the business model, the stages of development of the primary products or services, the timing and stage of the various research and development programs, the material regulatory approvals necessary to achieve the stated business objectives, and the marketing and future development plans and strategies. This section is especially important when the target company operates in the high-tech sector or in emerging and complex sectors.

2

Issues related to capital pool companies that complete a qualifying transaction (continued)

SECOND FINDING

We noted that there was no information on any existing or potential material conflict of interest in the qualifying transaction, in addition to incomplete or no information on related party relationships and the transactions involving them.

How to satisfy the requirements in Item 16.3 of [Form 41-101F1](#)

It is essential to disclose particulars of existing or potential material conflicts of interest between the CPC, the target company and the directors, executive officers or any person who, directly or indirectly, does not deal at arm's length with the target company. It is important to provide any relevant and material information that an investor needs to make an informed investment decision.

How to satisfy the requirements in Item 1.9 of [Form 51-102F1](#) and *IAS 24 Related Party Disclosures*

Companies involved in a qualifying transaction must disclose all the related party transactions that are necessary for an understanding of the business objectives of the target company and, therefore, the resulting company. The AMF noted that the relationships between the target company and other companies involved directly or indirectly in its transactions are not always clearly specified and disclosed. For example, clear disclosure must be provided regarding the transfer or sale of an intangible asset to the target company by a related entity or person. In addition, the target company must ensure that its financial statements comply with the requirements of IAS 24 and that the recognized cost of the intangible asset was reliably measured.

THIRD FINDING

We noted that material risk factors were either not disclosed or not fully described.

How to satisfy the requirements in Item 21 of [Form 41-101F1](#)

It is essential to disclose the material risk factors related to the target company and the resulting company in connection with the qualifying transaction. These risk factors should be specific, i.e., applicable to the actual situation of the target company and the resulting company, comprehensive and disclosed in the order of most serious to the least serious so as to properly inform investors who are considering investing in the securities being distributed.

In many of the qualifying transactions that were analyzed, the following risk factors were either not disclosed or not fully described:

- Negative cash flows from operating activities
- Going concern uncertainty
- Limited transaction history
- No or limited revenue
- History of net losses
- Significant project or key product in the early stages of development
- Limited capital resources
- Material transactions or contracts entered into between related parties

2

Issues related to capital pool companies that complete a qualifying transaction (continued)

FOURTH FINDING

We found that the liquidity and capital resources of the target company were not sufficiently disclosed in the appropriate section of the MD&A.

How to satisfy the requirements in Items 1.6 and 1.7 of [Form 51-102F1](#)

The target company must provide an analysis of its liquidity, including its ability to generate sufficient amounts of cash and cash equivalents, in the short term and the long term, to maintain the company's capacity to meet its planned growth or to fund its development activities.

The target company must also provide an analysis of its commitments for capital expenditures as of the date of its financial statements and capital expenditures not yet committed but required to maintain the company's capacity to meet its planned growth or to fund development activities. Known trends or expected fluctuations in the target company's capital resources and sources of financing that it has arranged but not yet used must also be disclosed.

FIFTH FINDING

We noted that some forward-looking information was disclosed without the required reasonable basis or that the time period covered by the forward-looking information was not properly presented.

How to satisfy the requirements in Part 4A Forward-Looking Information of [Regulation 51-102](#) and Item 4A.8 of the [Policy Statement to Regulation 51-102](#)

A company must not disclose forward-looking information unless it has a reasonable basis for the forward-looking information. When interpreting "reasonable basis", companies should consider:

- the reasonableness of the assumptions underlying the forward-looking information
- the process followed in preparing and reviewing forward-looking information

Companies that present forward-looking information or a financial outlook must limit that disclosure to a period for which the forward-looking information or financial outlook can be reasonably estimated. In general, that time period will not go beyond the end of the company's next fiscal year. Some of the factors a company should consider include the company's ability to make appropriate assumptions, the nature of the company's industry and the company's operating cycle.

3

Summary of the results of the CSA issue-oriented review of mineral resource estimates in technical reports



On June 4, 2020, the CSA published [CSA Staff Notice 43-311](#), which presents the results of a disclosure review of mineral resource estimates presented in the technical reports of mining companies.

Disclosure of mineral resource estimates is a significant milestone for mining companies and serves as the foundation for subsequent mining studies. Often highly anticipated by investors, the results reported to the market can have a major influence on the share price and market capitalization of a mining company.

Over the past several years, CSA staff has found non-compliant mineral resource estimate disclosure in technical reports. Some mining companies have had to make significant downward adjustments to their mineral resource estimates, an often adverse event that affects the credibility of their mineral projects.

REVIEW PURPOSE AND SCOPE

In late 2018, the CSA completed an issue-oriented review to explore whether disclosure in technical reports both complied with the disclosure standard and provided transparency into the qualified person's adherence to best practices in mineral resource estimation.

Staff evaluated 86 technical reports supporting mineral resource estimates to assess the quality, clarity, and compliance of disclosure. The review focused on the following key areas:

1. Qualified person's relevant experience and the purpose of the technical report
2. Data verification and adequacy for use in mineral resource estimation
3. Mineralization controls and geological model
4. Mineral resource estimate data analysis
5. Mineral resource estimation and classification
6. Reasonable prospects for eventual economic extraction
7. Reporting results, sensitivities, risks, and uncertainties in the mineral resource estimate

3

Summary of the results of the CSA issue-oriented review of mineral resource estimates in technical reports (continued)

KEY FINDINGS

The review generally found that the mechanics of the estimation process were explained well, including geological modelling of controls on the mineralization, statistical analysis of the data, interpolation methods, and validation tests on the block model. The disclosure of how project operators ensured quality control of sampling and analysis was also often well described.

However, the review results identified inadequate disclosure in the following areas:

- *Reasonable prospects for eventual economic extraction*: Technical reports must provide adequate disclosure to determine that the estimated mineralized material has the potential to be mined and processed economically
- *Data verification*: Data used to support a mineral resource estimate, including legacy data from former operators, needs to be adequately verified and determined suitable by the qualified person
- *Risk factors*: Each mineral project has its own set of risks that could affect the mineral resource estimate. Failure to set out meaningful known risks may make mineral resource estimate disclosure potentially misleading
- *Sensitivity to cut-off grade*: Variations to the cut-off grade to indicate the relative robustness of the estimate can be useful information. However, all estimates resulting from each of the cut-off grade scenarios must meet the test of reasonable prospects

ACTIONS TAKEN

CSA staff issued 10 comment letters to mining companies when the disclosure was inadequate in one area, or so inadequate across multiple areas to make the disclosure potentially misleading.

These letters resulted in 10 amended and refiled technical reports, with six refilings providing additional disclosure relating to the mineral resource estimates and four refilings resulting in the revision to, or the retraction of, the mineral resource estimates due to professional practice issues.

CSA staff will continue to use the analysis tools developed for the review and pay special attention to mineral resource estimates as part of the ongoing continuous disclosure review process.

4

Mini-tender offers



Take-over bids are governed by [Regulation 62-104](#), combined, in particular, with [Policy Statement 62-203](#) (the "Bid Regime"). The Bid Regime applies to certain offers to acquire securities and is designed to ensure the equal treatment of security holders, the provision of adequate information and an open and even-handed bid process.

Except as otherwise provided by securities legislation, a take-over bid within the meaning of [Regulation 62-104](#) means an offer to acquire voting securities or equity securities of a class, where the securities subject to the offer to acquire, together with the offeror's securities, constitute in the aggregate 20% or more of the securities of that class.

Offers to acquire that are not take-over bids within the meaning of [Regulation 62-104](#) are generally qualified as "mini-tenders" and are not subject to the Bid Regime. As a result, they can be structured in a variety of ways and have different characteristics.

Despite the absence of a specific regulatory framework, the AMF must ensure that these mini-tenders do not undermine market efficiency and investors are protected from unfair, improper or fraudulent practices.

[CSA Staff Notice 61-301](#) (in French) outlines certain concerns related to a particular type of mini-tender, i.e., those offering to purchase only a small percentage of a class of shares at a price below the current market price.

The notice suggests that a mini-tender offeror should provide certain specific information to the holders of the securities subject to the mini-tender in order to avoid confusion and misunderstanding. If the structure of a mini-tender or the circumstances under which it is made is prejudicial to the public interest, AMF staff could intervene with the offeror.

Although [CSA Staff Notice 61-301](#) deals with a specific type of mini-tender, AMF staff monitors all types of offers to acquire that are not subject to [Regulation 62-104](#) and may question an offeror that makes such an offer where an analysis of the way the offer is structured, designed or communicated raises concerns relating to market efficiency or investor protection.

In addition to the specific considerations stated in this same notice, the AMF pays special attention to mini-tenders where the holders of the securities subject to the mini-tender are given a very short timeframe to assess the offer. The shorter the timeframe, the more the AMF expects the disclosure in the offer and the various related documents to be transparent and unequivocal as to the offer's scope and consequences.

The AMF also carefully reviews mini-tenders that could unduly interfere with security holders' voting rights and, if applicable, their dissent rights, such as when a proxy in favour of the offeror is attached to the mini-tender.

In all cases, where, upon analysis, the way the offer is structured, designed or communicated is determined to be abusive and contrary to the public interest, the AMF will not hesitate to intervene with the offeror to impose or assert any measure that is appropriate under the circumstances.

5

Use of the financial hardship exemption in the context of an acquisition of assets



In Québec, [Regulation 61-101](#) provides protection for minority security holders in transactions described in the regulation. Related party transactions are subject to Part 5 of that regulation, which sets out requirements for improving information concerning a transaction and obtaining minority approval.

Paragraph (g) of section 5.5 and paragraph (e) of section 5.7 of [Regulation 61-101](#) provide, respectively, an exemption from the formal valuation requirement and an exemption from the minority approval requirement (the "Financial Hardship Exemption"). In 2019-2020, we noted an increase in the number of Québec companies that relied on the Financial Hardship Exemption.

In these cases, we also noted several transactions involving the acquisition of one or more assets of a related party. Although the terms of the Financial Hardship Exemption do not limit this type of transaction, we closely examine compliance with the conditions of the exemption, especially when a company has committed to paying a cash consideration in full or part to the related party.

Without reiterating each of the conditions that a company must comply with in order to rely on the Financial Hardship Exemption, we stress that a company must clearly demonstrate that (1) the transaction is designed to improve its financial position and that (2) the terms of the transaction are reasonable in the company's circumstances, as determined by the board of directors and at least 2/3 of the independent directors.

We carefully review the continuous disclosure documents filed by companies that rely on the Financial Hardship Exemption. If the information is deemed insufficient or incomplete to demonstrate compliance with the conditions of the exemption, we will intervene with the company to obtain additional details on the transaction and will take any action required to ensure that all security holders are treated fairly.

6

Fees payable to the AMF at the time of certain transactions



The fees payable to the AMF on financings and other special transactions are set out in sections 267 and following of the [Securities Regulation](#). Market participants can use the [SEDAR Regulatory Fee Guide](#) to calculate the fees payable based on the type of document filed.

We found that a number of companies did not calculate the fees payable in accordance with the provisions of the [Securities Regulation](#) or did not pay them at the right time. The following examples are provided as guidance on how we expect fees to be calculated in certain circumstances and when we expect them to be paid.

- Prospectus qualifying convertible securities
 - When a prospectus qualifies units, the fees payable are based on the value of the units.
 - When a prospectus qualifies convertible securities without par value, the fees payable are based on the value of the underlying securities. For example, the fees payable are calculated on the exercise price of the shares for an offering of warrants.
 - When a prospectus qualifies convertible securities with a par value, the fees payable are based on the value of the convertible security. For example, in the case of a distribution of a \$1,000 convertible debenture, the fees payable are calculated on \$1,000.
- Prospectus qualifying only the securities underlying convertible securities
 - When a prospectus does not qualify convertible securities previously issued pursuant to a prospectus exemption but qualifies only the underlying securities, the fees payable are based on the value of the underlying securities. For example, a company conducts an offering of warrants or special warrants by relying on a prospectus exemption. If it then files a prospectus to qualify only the common shares issued further to the conversion of the warrants, the fees payable will be based on the value of the common shares.
- Prospectus qualifying securities issued as dividends at the time of spin-off
 - If the value of the distributed securities is specified in the prospectus, the fees payable are based on that amount.
 - If the value of the distributed securities is not specified in the prospectus, AMF staff will contact the company to find out the value of those securities and will use that amount to determine the fees payable. Moreover, the calculation supporting the amount of fees payable will have to be submitted by the company in writing. If the company does not provide the value of the distributed securities, AMF staff will use the opening price of the securities on the first day of trading to determine their value and the fees payable.
- Rights offering by prospectus
 - When a rights offering is conducted using a prospectus, the fees payable are based on the exercise price of the underlying securities.

6 Fees payable to the AMF at the time of certain transactions (continued)

- Prospectus for the sole purpose of becoming a reporting issuer
 - Where a prospectus does not qualify any securities and was filed by a company for the sole purpose of becoming a reporting issuer, the only fees that apply are those set out in subparagraph 1 of section 267 of the [Securities Regulation](#).
- Compensation options issued under a prospectus
 - When a prospectus qualifies compensation options that have an exercise price (awarded, in particular, to the dealers retained by the company), the fees payable are also based on the value of those securities.
- Over-allotment option
 - When a prospectus or a prospectus supplement qualifies an over-allotment option, the fees payable are also based on the value of the securities in the over-allotment option. It is important to note that fees are not refundable if the over-allotment option is not exercised.
- Base shelf prospectus supplements
 - Except for medium term notes, when a prospectus supplement is filed in Québec, the fees payable are based on the amount indicated in the supplement, as set out in subparagraph 3 of section 267 of the [Securities Regulation](#).
 - When a distribution of medium term notes is conducted using a prospectus supplement, the fees payable are set out in subparagraph 2 of section 268 of the [Securities Regulation](#) and are payable at the time of filing the report prescribed in section 98.1 of the [Securities Regulation](#). The fees payable are based on the amount distributed in Canada.
- Distributions in foreign currency
 - When the amount distributed (or the price per security) indicated in the prospectus is in a currency other than the Canadian dollar, AMF staff uses the Bank of Canada's daily exchange rate (or the Bank of Canada's previous day's rate, as applicable) to calculate the fees payable. AMF staff will not use the exchange rate indicated in the prospectus.
 - When a distribution of medium term notes is conducted under prospectus supplement, the distributed amount must be converted using the Bank of Canada's daily exchange rate on the date of distribution (or the Bank of Canada's previous day's rate, as applicable), not the exchange rate on the filing date of the report prescribed in section 98.1 of the [Securities Regulation](#).
- Filing of reports with the AMF following a distribution under a prospectus and payment of fees
 - Within 15 working days following the completion of a distribution of securities conducted using a prospectus, companies must file (under the same SEDAR project as the prospectus) a report with the AMF on the securities distributed to owners residing in Québec and to holders registered in the name of an intermediary acting as nominee for a person residing in Québec. The report must also indicate the number and value of the securities distributed in Québec by the underwriter or by each member of the selling group or purchase group. See sections 94 and 95 of the [Securities Regulation](#).
 - When a distribution of medium term notes is conducted under a prospectus supplement, companies must file the report prescribed in section 98.1 of the [Securities Regulation](#) with the AMF. This report must be filed twice during the time the shelf prospectus is valid: on the anniversary of the receipt of the shelf prospectus (12 months) and upon its expiry (25 months). The fees payable must be paid at the time of filing each of those reports.

6 Fees payable to the AMF at the time of certain transactions (continued)

- Take-over bid
 - Pursuant to subparagraph 1 of section 271.4 of the [Securities Regulation](#), the fees are payable at the time of filing the bid and the take-over bid circular.

- Normal course issuer bid
 - Pursuant to subparagraph 1.1 of section 271.4, the fees are payable at the time of filing the press release announcing the normal course issuer bid.

- Report of exempt distribution filed late pursuant to [Regulation 45-106](#)
 - When a company is late in filing a report of exempt distribution with the AMF, the fees payable are those applicable on the filing date of the report of exempt distribution, not those applicable on the distribution date. For example, if a company made a securities distribution in 2018 requiring the filing of a report of exempt distribution and filed this report with the AMF in June 2020, the company must pay the fees applicable in 2020.

You can also refer to the page entitled “Frequently Asked Questions - Corporate Finance” on the AMF’s website.



INFORMING

We encourage you to read this section carefully as it provides essential information about specific oversight activities and recent initiatives.



Act respecting transparency measures in the mining, oil and gas industries

Under the [Act respecting transparency measures in the mining, oil and gas industries](#) (the "Act"), which was assented to on October 21, 2015, certain enterprises operating in the mining, oil and gas industries are required to provide an annual statement declaring certain payments equal to or greater than \$100,000 made to payees specified in the Act (primarily government entities). The purpose of the Act is to discourage and detect corruption and foster the social acceptability of projects.

Its implementing regulation, the [Regulation respecting the application of the Act respecting transparency measures in the mining, oil and gas industries](#), came into force on August 3, 2017. [Guidelines](#) were also published.

While the Ministère de l'Énergie et des Ressources naturelles (Québec Ministry of Energy and Natural Resources) is responsible for implementing the Act, the AMF is responsible for administering it.

SIGNIFICANT PENALTIES FOR NON-COMPLIANCE

The Act sets out significant penalties for non-compliance. The AMF can impose an administrative penalty of **\$1,000 a day** for each day an entity is late in filing a statement. For more information, see the [General framework for the application of monetary administrative penalties](#).

STATEMENTS RECEIVED BY THE AMF

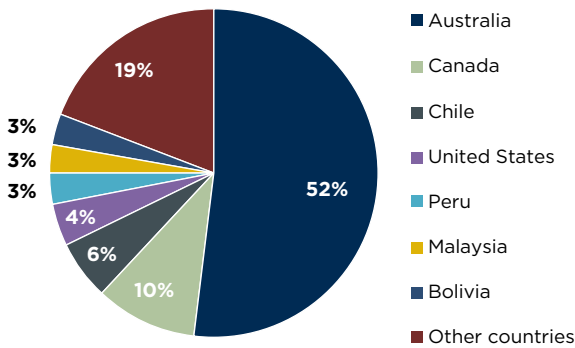
From April 1, 2019 to March 31, 2020 (the third complete period during which the AMF received statements), the AMF received 51 statements under the Act (the same number as the previous period). The [list of entities subject to the Act that filed statements](#) can be found on the AMF's website. The following are some highlights from the 51 statements.

1

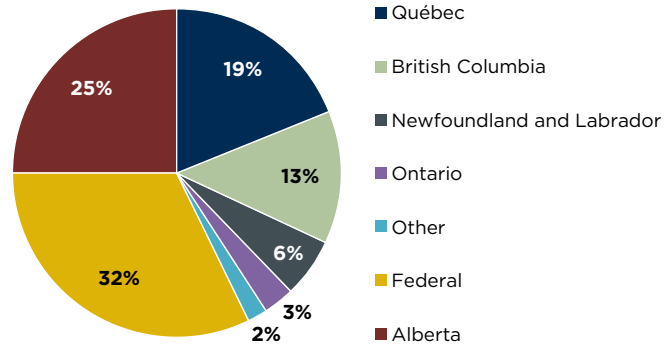
Act respecting transparency measures
in the mining, oil and gas industries (continued)

BREAKDOWN OF PAYMENTS REPORTED BY COUNTRY OR JURISDICTION:

Total value of payments reported
in all countries: \$33.0 billion

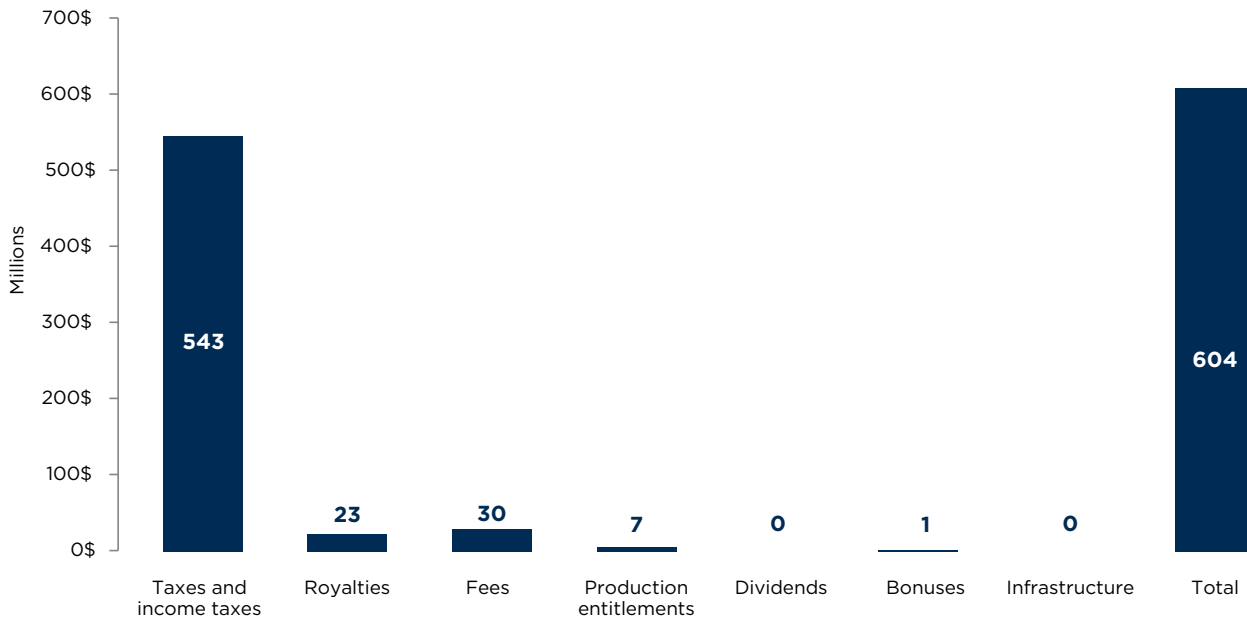


Total value of payments reported
in Canada: \$3.3 billion



BREAKDOWN OF PAYMENTS REPORTED IN QUÉBEC BY PAYMENT CATEGORY:

Total value of payments reported in Québec: \$603.9 million



2

Women on boards and in executive officer positions

The representation of women on boards and in executive officer positions is an important issue for the AMF.

On October 2, 2019, the findings of a fifth annual review of disclosure regarding women on boards and in executive officer positions were published in [CSA Multilateral Staff Notice 58-311](#).

For information purposes, the table below presents data compiled by the AMF since the coming into force of the disclosure requirements regarding the representation of women for Québec companies listed on the TSX.

	2015 (64 companies ¹⁸)	2016 (66 companies ¹⁸)	2017 (64 companies ¹⁸)	2018 (59 companies ¹⁸)	2019 (60 companies ¹⁸)	2020 (55 companies ¹⁸)
Board seats occupied by women within the companies reviewed	18%	18%	20%	21%	23%	24%
Companies with at least one woman on their board	80%	80%	81%	88%	92%	95%
Companies with at least three women on their board	20%	24%	27%	29%	30%	36%

¹⁸ Companies having year-ends between December 31 of the previous year and March 31 of the current year that filed information circulars before July 31 of the current year.

3

Update of the Canadian Institute of Mining, Metallurgy and Petroleum best practice guidelines

The Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM") recently updated two of its main industry best practice guidelines: the Mineral Exploration Best Practice Guidelines (November 2018) and the Estimation of Mineral Resources and Mineral Reserves Best Practice Guidelines (November 2019).

These documents are referred to in [Policy Statement to Regulation 43-101](#), which indicates that although [Regulation 43-101](#) does not specifically require the qualified person to follow the CIM best practices guidelines, the CSA thinks that a qualified person, acting in compliance with the professional standards of competence and ethics established by their professional association, will generally use procedures and methodologies that are consistent with industry standard practices, as established by CIM or similar organizations in other jurisdictions.

We encourage mining companies and their qualified persons to consult these updates on the CIM website at <https://www.cim.org/>.



4

At-the-market (ATM) distributions

The CSA amended [Regulation 44-102](#) to codify the terms of relief that had historically been granted on a discretionary basis to companies conducting ATM distributions of their securities. These amendments became effective on August 31, 2020 and codify the following two exemptions, which companies had to obtain before engaging in an ATM distribution:

- An exemption for the dealer from the requirement to deliver a prospectus to purchasers
- An exemption for the company and dealer from certain of the prospectus form requirements, including a relaxation of the form of the statement pertaining to the rights of rescission

REQUIREMENT TO FILE A PROSPECTUS IN QUÉBEC

Companies seeking to conduct ATM distributions on a Canadian exchange must also file their prospectuses in Québec before making such distributions.

Under section 11 of the [Securities Act](#), every person intending to make a distribution of securities must prepare a prospectus subject to a receipt issued by the AMF.

Since a company making an ATM distribution seeks prospective purchasers through an exchange and that exchange is accessible to purchasers in Québec, the company is making a distribution in Québec and must therefore file a prospectus in Québec.

UNDERTAKING

The AMF recognizes that some companies outside Québec file shelf prospectuses in only some jurisdictions excluding Québec. These companies sometimes allow for the possibility of an ATM distribution in their shelf prospectuses without having any intention, in the short term, of making such a distribution.

The AMF accepts such companies not filing a shelf prospectus in Québec upon initial filing of the prospectus in other jurisdictions, while requiring them to file an undertaking with the AMF.

By signing the undertaking, these companies undertake not to conduct an ATM distribution in Canada before having filed an amendment to the prospectus adding Québec as a jurisdiction in which the securities will be distributed.¹⁹ This undertaking must be filed under the same SEDAR project as the shelf prospectus and must also be e-mailed to the AMF at Dispenses-Passeport@lautorite.qc.ca.

¹⁹ The undertaking reads as follows:

“The Issuer hereby undertakes not to distribute Securities by way of an “at-the-market distribution” (as contemplated in Part 9 of National Instrument 44-102) under the Prospectus, unless the Issuer has filed an amendment to the Prospectus adding Québec as a jurisdiction in which the Securities will be distributed or otherwise obtained exemptive relief therefrom.”

5

Other reminders

CYBER SECURITY: A CONSTANT CHALLENGE

Companies across all industries may be exposed to cyber security risks, albeit in different ways. Many depend on information technology for their business. Disruptions due to cyber incidents can adversely affect not only their activities, operating results and financial condition but also—where confidential information is compromised, sensitive information is accessed by unauthorized individuals or data is destroyed or corrupted—their customers. Major cyber incidents can cause reputational harm to the company, not to mention be a significant source of concern for the victims.

AMF staff reminds companies that [CSA Multilateral Staff Notice 51-347](#) sets out certain principles and findings. We encourage you to review the notice in order to apply best practices.

PRIVATE ISSUER EXEMPTION - BENEFICIALLY OWNED BY NOT MORE THAN 50 PERSONS

We noted that some companies are circumventing the requirements of the private issuer exemption in section 2.4 of [Regulation 45-106](#) by issuing securities to companies created solely to ensure that the securities are distributed to not more than 50 persons. Companies that engage in this practice will indirectly have more than 50 beneficial owners.

This practice is not permitted under the private issuer exemption. In this regard, the AMF will not hesitate to intervene with any company that does not comply with [Regulation 45-106](#).



6

Regulatory initiatives

The following is an overview of ongoing policy initiatives relating to company financing and continuous disclosure requirements and CSA staff notices published during the year.

Ongoing projects	Summary	Important date
Draft Regulation to amend Regulation 41-101 respecting General Prospectus Requirements	The CSA intends to publish for comment draft regulatory amendments intended to clarify the financial disclosure required in connection with an IPO.	To be published in the winter of 2021.
Regulation to amend Regulation 44-102 respecting Shelf Distributions (at-the-market distributions)	The CSA published regulatory amendments relating to at-the-market distributions. The amendments are intended to codify the terms of relief that had historically been granted to allow companies to conduct at-the-market distributions without having to first obtain a discretionary exemption from certain requirements.	Published on June 4, 2020 with a coming into force date of August 31, 2020.
Draft Regulation to amend Regulation 45-106 respecting Prospectus Exemptions (Offering Memorandum)	The CSA published for comment proposed amendments to this regulation. The amendments add new information to be disclosed in the offering memorandum to ensure that investors receive enhanced disclosure, resulting in more informed investment decisions. The amendments are specifically targeted at disclosures for distributions in the real estate sector and relating to collective investment vehicles.	Published on September 17, 2020.
Regulation to amend Regulation 45-106 respecting Prospectus Exemptions (Syndicated Mortgages) and	The CSA published regulatory amendments on exemptions relating to syndicated mortgages. The amendments provide pan-Canadian harmonization of the exemptions under Regulation 45-106. They also provide disclosure requirements specific to this type of security for distributions made with an offering memorandum to ensure that investors receive enhanced disclosure, resulting in more informed investment decisions.	Published on August 6, 2020 with a coming into force date of March 1, 2021.
Draft Regulation respecting the distribution of qualified syndicated mortgages (Local Matters (Québec))	At the same time, the AMF published for comment a draft local regulation on the distribution of qualified syndicated mortgages, which includes a new prospectus exemption for the distribution of syndicated mortgages in Québec.	Published on August 6, 2020.
Draft Regulation 45-110 respecting Start-up Crowdfunding Registration and Prospectus Exemptions	The CSA published for comment Draft Regulation 45-110, which is intended to harmonize the regulatory framework for securities crowdfunding by start-ups. The CSA also published guides (guide for companies and guide for funding portals) to help companies and funding portals understand the requirements introduced by the draft regulation.	The comment period ended on July 13, 2020.

6 Regulatory initiatives (continued)

Ongoing projects	Summary	Important date
Regulation to amend Regulation 51-102 respecting Continuous Disclosure Obligations (Business Acquisition Report)	The CSA published regulatory amendments relating to the criteria to file a business acquisition report (BAR). The CSA did not make significant changes to the proposed amendments published on September 5, 2019. The amendments are intended to alter the determination of significance for reporting issuers that are not venture issuers such that an acquisition of a business is significant only if at least two of the three significance tests are triggered. They are also intended to increase the significance test threshold for reporting issuers that are not venture issuers from 20% to 30%.	Published on August 20, 2020 with a coming into force date of November 18, 2020.
Follow-up on projects arising from CSA Staff Notice 51-353 - Update on CSA Consultation Paper 51-404, Considerations for Reducing Regulatory Burden for Non-Investment Fund Reporting Issuers	The CSA is currently pursuing the following regulatory projects: <ul style="list-style-type: none"> • Reduce or streamline certain continuous disclosure requirements • Facilitate the electronic delivery of documents to investors • Develop an alternative to the prospectus for smaller distributions by companies listed on an exchange • Facilitate market access for very large Canadian companies Any potential regulatory changes will be published for comment.	In progress
CSA Consultation Paper 51-405 - Consideration of an Access Equals Delivery Model for Non-Investment Fund Reporting Issuers	The CSA published the consultation paper to gather comments on whether an access equals delivery model should be introduced on the Canadian market, the types of documents to which this model should apply and its mechanics. The consultation paper describes the CSA's proposed access equals delivery model.	The comment period expired on March 9, 2020.
Draft Regulation to amend Regulation 52-108 respecting Auditor Oversight	The CSA published for comment proposed regulation amendments that require actions by reporting issuers and participating audit firms that will assist the Canadian Public Accountability Board ("CPAB") in accessing audit working papers of component auditors, particularly in certain foreign jurisdictions. The goal is to provide CPAB with improved ability to perform audit inspections.	The comment period ended on January 2, 2020.
CSA Second Notice of Consultation - Draft Regulation 52-112 respecting Non-GAAP and Other Financial Measures Disclosure	The CSA published for a second comment period Draft Regulation 52-112, which is intended to introduce disclosure requirements for non-GAAP financial measures, non-GAAP ratios, and other financial measures. The CSA has reduced the scope of the application of the draft regulation and simplified the disclosure requirements, with the aim of ensuring investors receive appropriate disclosure without an overall increase in regulatory burden.	The consultation period ended on June 29, 2020.

6 Regulatory initiatives (continued)

Staff notices	Summary	Important date
CSA Staff Notice 21-327 - Guidance on the Application of Securities Legislation to Entities Facilitating the Trading of Crypto Assets	The CSA issued a staff notice to provide guidance on certain factors it considers to determine whether securities legislation applies to any entity that facilitates transactions relating to crypto assets, including buying and selling crypto assets. The relevant determination will be made by considering all the facts and circumstances, including the obligation and intention to make immediate delivery of the crypto asset.	Published on January 16, 2020.
CSA Staff Notice 43-310 - Confidential Pre-File Review of Prospectuses (for non-investment fund issuers)	The CSA published a staff notice to introduce a harmonized process for full reviews of prospectuses on a confidential pre-file basis for non-investment fund issuers. The process is part of the CSA's effort to foster capital formation and to provide issuers with greater flexibility and more certainty in planning their prospectus offerings.	Published on March 5, 2020.
CSA Staff Notice 43-311 - Review of Mineral Resource Estimates in Technical Reports	The CSA published a staff notice to present the results of a disclosure review on the disclosure of mineral resource estimates in technical reports.	Published on June 4, 2020.
CSA Staff Notice 45-326 - Update on amendments relating to Syndicated Mortgages	The CSA published a staff notice concerning a change in the anticipated implementation timeline and effective date for the previously published amendments relating to syndicated mortgages.	Published on December 11, 2019.
CSA Multilateral Staff Notice 51-359 - Corporate Governance Related Disclosure Expectations for Reporting Issuers in the Cannabis Industry	Certain CSA members published a staff notice to help reporting issuers in the cannabis industry strengthen their corporate governance related disclosures, including disclosure of financial interests in significant corporate transactions.	Published on November 12, 2019.

6 Regulatory initiatives (continued)

Staff notices	Summary	Important date
CSA Staff Notice 51-360 (Updated) - Frequently asked questions regarding filing extension relief granted by way of a blanket order in response to COVID-19	<p>The CSA published a staff notice containing its views on frequently asked questions about exemptions from certain corporate finance requirements provided by the CSA as a result of COVID-19 that apply to reporting issuers and other issuers that are not investment funds in blanket orders.</p>	<p>Published on April 3, 2020 and updated on April 16, 2020 May 1, 2020 and May 13, 2020.</p>
CSA Multilateral Staff Notice 58-311 - Report on Fifth Staff Review of Disclosure Regarding Women on Boards and in Executive Officer Positions	<p>Certain CSA members published a report that outlines key trends from the fifth review of public disclosure regarding women on boards and in executive officer positions. The CSA published the underlying data for the review on January 23, 2020.</p>	<p>Published on October 2, 2019.</p>

7

The AMF in Canada and on the international stage

Our comments on the tentative agenda decision of the IFRS Interpretations Committee on subsequent expenditure on biological assets, published by the IASB

In July 2019, the AMF, together with a number of other CSA members, commented on the tentative agenda decision of the IFRS Interpretations Committee.

The tentative agenda decision recognizes that IAS 41 *Agriculture* does not contain any requirements for the accounting for subsequent expenditure on biological assets, i.e., capitalizing the expenditure or recognizing it as an expense, leaving the choice of accounting policy to each entity.

Our comments

Considering the feedback received from investors in the cannabis industry, we question the relevance of an accounting policy that expenses, and therefore does not capitalize, subsequent expenditures on biological assets. Consequently, we recommend the final agenda decision refer entities to paragraph 10 of IAS 8 *Accounting policies, changes in accounting estimates and errors*, which, among other things, requires management to apply an accounting policy that results in information that is relevant to users.

We also recommend the decision refer entities to paragraph 11 of IAS 8 when developing a capitalization policy for subsequent expenditures. This paragraph requires entities to consider the requirements in IFRSs dealing with similar and related issues, such as IAS 2 *Inventories* or IAS 16 *Property plant and equipment*, as a basis for developing their capitalization policy. Narrowing the range of capitalization practices would reduce diversity in practice and support better comparability.

Our comments on IFRS Standards Exposure Draft – *Disclosure of Accounting Policies – Proposed amendments to IAS 1 and IFRS Practice Statement 2*, published by the IASB

In November 2019, the AMF, together with a number of other CSA members, commented on this exposure draft.

The proposed amendments would require entities to disclose their material accounting policies instead of their significant accounting policies. This would help entities improve accounting policy disclosures for users of financial statements.

Our comments

We highlighted instances where the wording used in the exposure draft was unclear or inconsistent with respect to the determination whether an accounting policy is material.

The proposed amendments suggest that the only accounting policies that are material are those where an entity has exercised judgment in selecting, developing or applying them and those that were modified following an amendment to an IFRS standard. This presumes that users of financial statements should know or be able to access the IFRS standards to obtain information about other accounting policies. We do not think this knowledge can be presumed.

7

The AMF in Canada and on the international stage (continued)

Our comments on IFRS Foundation Exposure Draft – Proposed amendments to the IFRS Foundation Due Process Handbook

In July 2019, the AMF, together with certain other CSA members, [commented](#) on this exposure draft.

In it, the IFRS Foundation proposes amendments to:

- clarify the role and status of agenda decisions published by the IFRS Interpretation Committee
- provide the IASB with the ability to publish its own agenda decisions
- reflect in the *Due Process Handbook* that entities should be entitled to sufficient time both to determine whether to make an accounting policy change as a result of an agenda decision and to implement any such change

Our comments

The exposure draft states that agenda decisions do not add or change requirements in IFRS Standards and therefore do not have the same status of IFRS Standards. It also states that entities might determine that they need to change an accounting policy because of an agenda decision.

We have pointed out that this statement appears unsupported because it does not consider the limited circumstances when an entity can change an accounting policy under IAS 8.

We recommend that the authority of agenda decisions in the context of IAS 8, specifically whether a change in accounting policy as a result of an agenda decision fits into paragraph 14(a) or 14(b) of IAS 8, and whether agenda decisions are considered “integral guidance” and mandatory, be clarified.

We recommend that the authority of agenda decisions in the context of IAS 8, specifically whether a change in accounting policy as a result of an agenda decision fits into paragraph 14(a) on changes required by an IFRS or 14(b) on voluntary changes that result in more reliable and relevant information, be clarified. We also recommend clarifying whether agenda decisions are considered integral IFRS guidance.

Furthermore, a proposed amendment to the *Due Process Handbook* states that an entity would be entitled to sufficient time to determine whether it needs to change an accounting policy as a result of an agenda decision and implement any change. However, there is no guidance on what is considered “sufficient time.” Therefore, we pointed out that, as securities regulators, it would be difficult to enforce the concept of “sufficient time”, and the difficulty would be exacerbated by the uncertainty around the authority of an agenda decision. Consequently, it is our opinion that the expectations relating to the timing of implementing agenda decisions should be included in IAS 8.

7

The AMF in Canada and on the international stage (continued)

AMF CONTRIBUTION TO IOSCO

The AMF has contributed to the work of IOSCO for a number of years. This year, IOSCO published the following report and statements:

IOSCO STATEMENT ON APPLICATION OF ACCOUNTING STANDARDS DURING THE COVID-19 OUTBREAK (published on April 3, 2020)

The [statement](#) recognizes that the application and enforcement of high-quality accounting standards are of critical importance to the proper functioning of the capital markets—especially in times of uncertainty.

The statement explains that the responsibility for developing and maintaining high-quality standards resides with the IASB and states that IOSCO welcomes the IASB’s [recent educational materials](#) that address the application of accounting for expected credit losses in accordance with IFRS 9 *Financial instruments* during the period of economic uncertainty arising from the COVID-19 outbreak. IOSCO adds that the disclosure requirements in IFRS 7 *Financial instruments: disclosures* and IAS 1 *Presentation of financial statements* should result in disclosure that considers the impact of these important emerging issues.

REPORT ON SUSTAINABLE FINANCE AND THE ROLE OF SECURITIES REGULATORS AND IOSCO (published on April 14, 2020)

[This report](#) is based on numerous discussions with stakeholders and highlights several findings that involve multiple and diverse sustainability frameworks and standards and their potential impact on investor protection.

The report builds on the [Statement on Disclosure of ESG Matters by Issuers](#) published in 2019, which sets out the importance for companies of considering the inclusion of environmental, social and governance (ESG) matters when disclosing information material to investors’ decisions.

Following publication of the report, IOSCO established a new task force aimed at enabling IOSCO to play a driving role in global efforts to address issues described in the report. The AMF intends to play a significant role on this task force.

IOSCO STATEMENT ON IMPORTANCE OF DISCLOSURE ABOUT COVID-19 (published on May 29, 2020)

The [statement](#) notes that, in this period of heightened uncertainty, it is important that companies provide transparent and entity-specific disclosures about the impact of COVID-19 on their financial performance, financial position, liquidity and future prospects.

Challenges that a company faces will differ from one company to another depending on its specific circumstances, such as the jurisdiction and industry that it operates in.

IOSCO understands the difficulty in preparing financial statements in an evolving and uncertain environment, with potentially imperfect information that could change after financial information is made publicly available. Nevertheless, companies are encouraged to use the best available information in making well-reasoned and supported judgments and estimates that take into account the impacts of the COVID-19 pandemic. The disclosure of information on significant judgments and uncertain estimates is essential.

INNOVATING

We are adapting our procedures while placing ever greater focus on the data universe, search tools, crypto asset trading platforms and virtual currencies.

By using data and alert tools, combined with the rollout of national and local systems and supported by continuous process improvement, we are better able to take targeted, relevant and timely action to protect investors.

And thereby play our role as an efficient, effective regulator close to our markets!



Innovating amid the COVID-19 pandemic

This year, we implemented a continuous improvement approach and began to adopt R and Python programming to process and extract several pieces of information from our databases. By quickly optimizing and reengineering a number of processes, eliminating tasks with no added value, and creating various operational prototypes, we were able to transition to lockdown mode without any significant impact on our oversight activities and day-to-day operations.

The use of financial and market data tools to facilitate real-time monitoring of our companies allowed us to respond effectively with the CSA and support the granting of blanket relief to Québec companies. Relying on data gathered both externally and internally, we proactively established a list of disclosure issues, published our expectations regarding such disclosure, carried out the related follow-up and established a team to review disclosure pertaining to COVID-19.

The pandemic hastened the implementation of those tools, as investor protection is all the more critical in times of uncertainty.

Data accessibility also enabled us to provide the Ministère des Finances du Québec with business intelligence, identify risks and issues related to the securities markets, and support our work on the international stage, particularly with IOSCO.

2

Timely information

Current investments to support the CSA's digital transformation are being made in conjunction with local initiatives aimed at ensuring a winning combination for the AMF in the pursuit of its mission.

We continue to actively participate in the SEDAR+ systems renewal program to replace the CSA's current electronic systems, including SEDAR, SEDI and NRD. The first phase of this project involves replacing SEDAR, the Cease Trade Order Database and the Disciplined List. We encourage you to consult the CSA's website under [Systems Replacement](#) to learn more.

Concurrently with our participation in this national program, we are also working on migrating our computer-based file processing tools to a modernized platform. This will enable us to consolidate our work by company, leverage teamwork to respond more quickly to companies and investor complaints, detect trends in order to measure the effectiveness of existing regulations and identify new issues that could adversely affect the quality of continuous disclosure.

To supplement our continuous monitoring toolkit, we considered various tools offered by an array of financial and non-financial data, industry data and alert system providers. These tools allowed us to clarify our needs and identify information relevant to our actions so that we can intervene in a timely manner.

Whether the focus is on protecting investors, ensuring market efficiency or maintaining access to capital, data provides us with real-time insights, helps us prioritize our actions and gives us a better understanding of our market.

3

Regulatory sandbox²⁰

The work of the regulatory sandbox generally follows marketplace developments or trends. While many financing-related issues were addressed in 2018-2019, including those involving crypto-asset offerings, the activities of the regulatory sandbox focused more on issues relating to crypto-asset trading platforms this past year. On January 16, 2020, the CSA and the AMF published [CSA Staff Notice 21-327](#) to provide guidance on certain factors we consider to determine whether securities legislation applies to any entity that facilitates transactions relating to crypto assets, including buying and selling crypto assets.

²⁰ The purpose of the sandbox is to support companies seeking to offer innovative applications, products or services. Additional information is available at: <https://lautorite.gc.ca/en/professionals/fintech-financial-technology/how-the-amf-supports-innovative-firms>.

4

Cryptocurrency offerings and smart contracts

Facebook and its Libra cryptocurrency project informed the thinking of regulators and central banks throughout the year. For many advocates of this currency of exchange, intangible currency is a very real option.

Trading in, purchasing and using digital securities each raise a number of legal issues and concepts that have an impact on the way such securities are accounted for and audited. These concepts include storage of digital keys, patented tamper-resistant sequences, mining contract and smart contract, proof-of-stake and proof-of-work.

When a new company presents an IPO for the creation and use of a digital security, the review process requires input from multiple AMF experts. We are developing our legal and accounting expertise in order to support such companies' access to capital, while maintaining a robust review process to ensure investor protection.

During the year, we sent senior executives in this industry the following observations, among others:

- The types of contracts with miners are not always clear and often have a dilutive effect on the currency that is not always properly reflected in the continuous disclosure materials
- Ownership attached to the token or platform must be formalized in a legal document
- Profit sharing through the issuance of tokens that do not have a value yet on an active market raises a valuation issue, with the choice of accounting policy potentially having significant repercussions for common industry practices
- Changes in a platform's tokens resulting from transactions completed by companies are not always properly disclosed in the continuous disclosure materials

We will continue to monitor these rapidly evolving fields and will stay current on any innovations by financial market participants.



APPENDIX A

LIST OF CERTAIN REGULATIONS, POLICY STATEMENTS AND NOTICES PRESCRIBED FOR COMPANIES

This appendix lists and provides hyperlinks to the regulations, policy statements and notices referred to in this Summary.

All regulations and other texts are available on the [Laws and regulations](#) page of the Securities section of the AMF's website.

NUMBER OF REGULATION, POLICY STATEMENT OR NOTICE	NAME OF REGULATION, POLICY STATEMENT OR NOTICE
CSA Staff Notice 21-327	Guidance on the Application of Securities Legislation to Entities Facilitating the Trading of Crypto Assets
Regulation 33-105	respecting Underwriting Conflicts
Regulation 41-101	respecting General Prospectus Requirements
Form 41-101F1	Information required in a prospectus
Policy Statement 41-601Q	respecting Capital Pool Companies
Regulation 43-101	respecting Standards of Disclosure for Mineral Projects
Policy Statement to Regulation 43-101	respecting Standards of Disclosure for Mineral Projects
CSA Staff Notice 43-310	Confidential Pre-File Review of Prospectuses (for non-investment fund issuers)
CSA Staff Notice 43-311	Review of Mineral Resource Estimates in Technical Reports
Regulation 44-102	respecting Shelf Distributions
Regulation 45-106	respecting Prospectus Exemptions
CSA Staff Notice 45-326	Update on amendments relating to Syndicated Mortgages
Regulation 51-102	respecting Continuous Disclosure Obligations
Form 51-102F1	Management's discussion and analysis
Policy Statement to Regulation 51-102	respecting Continuous Disclosure Obligations
CSA Staff Notice 51-312 (revised)	Harmonized Continuous Disclosure Review Program
CSA Multilateral Staff Notice 51-347	Disclosure of cyber security risks and incidents
CSA Staff Notice 51-353	Update on CSA Consultation Paper 51-404 - Considerations for Reducing Regulatory Burden for Non-Investment Fund Reporting Issuers
CSA Staff Notice 51-355	Continuous Disclosure Review Program Activities for the fiscal years ended March 31, 2018 and March 31, 2017

NUMBER OF REGULATION, POLICY STATEMENT OR NOTICE	NAME OF REGULATION, POLICY STATEMENT OR NOTICE
CSA Multilateral Staff Notice 51-359	Corporate Governance Related Disclosure Expectations for Reporting Issuers in the Cannabis Industry
CSA Staff Notice 51-360 (Updated)	Frequently Asked Questions Regarding Filing Extension Relief Granted by Way of a Blanket Order in Response to COVID-19
Regulation 52-110	respecting Audit Committees
CSA Staff Notice 52-306 (revised)	Non-GAAP Financial Measures
CSA Multilateral Staff Notice 58-311	Report on Fifth Staff Review of Disclosure Regarding Women on Boards and in Executive Officer Positions
Regulation 61-101	respecting Protection of Minority Security Holders in Special Transactions
CSA Staff Notice 61-301	Staff Guidance on the Practice of “Mini-Tenders”
Regulation 62-104	respecting Take-Over Bids and Issuer Bids
Policy Statement 62-203	respecting Take-over Bids and Issuer Bids

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