

Request for Comment

Proposed Policy Statement 12-203 respecting Cease Trade Orders for Continuous Disclosure Defaults

Introduction

We, the Canadian Securities Administrators (CSA regulators or we), are publishing for comment proposed *Policy Statement 12-203 respecting Cease Trade Orders for Continuous Disclosure Defaults* (the Policy Statement). The Policy Statement provides guidance to reporting issuers, investors and market participants as to how the CSA will generally respond to certain types of continuous disclosure defaults.

Substance and Purpose

The Policy Statement

- modernizes, harmonizes and streamlines existing CSA practices relating to cease trade orders (CTOs) including general CTOs and management cease trade orders (MCTOs);
- provides guidance for issuers as to the circumstances in which the regulators will issue a general CTO or an MCTO;
- explains factors CSA Regulators will consider when evaluating an application for an MCTO; and
- describes what other actions issuers need to undertake if we issue an MCTO.

The Policy Statement will replace:

- Ontario Securities Commission Policy 57-603 – *Defaults by Reporting Issuers in Complying with Financial Statement Filing Requirements*;
- CSA Staff Notice 57-301 – *Failing to File Financial Statements on Time – Management Cease Trade Orders*; and
- CSA Staff Notice 57-303 – *Frequently Asked Questions Regarding Management Cease Trade Orders Issued as a Consequence of a Failure to File Financial Statements*.

Summary of the Policy Statement

The Policy Statement provides guidance as to how the CSA regulators will ordinarily respond to a specified default (as defined in part 2 of the Policy Statement) by a reporting issuer. This response will be the issuer's principal regulator issuing either a general CTO or an MCTO.

The Policy Statement describes the criteria the CSA regulators will apply when assessing whether to issue a general CTO or an MCTO and outlines what an issuer needs to include in its application for an MCTO. The Policy Statement also describes what information an issuer must file during the period of an MCTO to support informed trading.

The Policy Statement reminds issuers of their responsibility to monitor trading by management and other insiders during the period of default and reminds insiders of their trading prohibitions under securities legislation. Finally, the Policy Statement discusses the effect of a CTO issued by a CSA regulator in one jurisdiction on trading in another jurisdiction.

-2-

Unpublished materials

In developing the Policy Statement, we have not relied on any significant unpublished study, report, decision or other written materials.

Request for Comments

We welcome your comments on the proposed Policy Statement.

Please submit your comments in writing on or before May 27, 2008. If you are not sending your comments by email, a diskette containing the submissions (in Windows format, Word) should also be forwarded.

Address your submissions to the CSA member commissions, as follows:

British Columbia Securities Commission
 Alberta Securities Commission
 Saskatchewan Financial Services Commission
 Manitoba Securities Commission
 Ontario Securities Commission
 Autorité des marchés financiers
 New Brunswick Securities Commission
 Nova Scotia Securities Commission

Deliver your comments only to the two addresses that follow. Your comments will be forwarded to the other CSA member jurisdictions.

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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.

Questions

Please refer your questions to any of:

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-3-

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-4-

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