

CSA Notice and Request for Comment

Draft *Regulation to amend Regulation 45-106 respecting Prospectus Exemptions* relating to Reports of Exempt Distribution

August 13, 2015

Introduction

The Canadian Securities Administrators (**CSA** or **we**), are publishing for a 60-day comment period proposed amendments (the **Proposed Amendments**) to *Regulation 45-106 respecting Prospectus Exemptions* (**Regulation 45-106**) that would introduce a new harmonized report of exempt distribution (the **Proposed Report**) and make related changes to *Policy Statement to Regulation 45-106 respecting Prospectus Exemptions* (**Policy Statement 45-106**). For Alberta, Saskatchewan, Ontario and New Brunswick, the Proposed Amendments constitute a republication of the March 2014 Proposals (as defined below).

The Proposed Report and the Proposed Amendments are published with this notice and, as applicable, local matters are published in an annex. This notice will also be available on the following websites of CSA jurisdictions:

www.bcsc.bc.ca
www.albertasecurities.com
www.fcaa.gov.sk.ca
www.msc.gov.mb.ca
www.osc.gov.on.ca
www.lautorite.qc.ca
www.fcnb.ca
nssc.novascotia.ca

Substance and Purpose

The Proposed Report

Currently, issuers who rely on certain prospectus exemptions to distribute securities are required to file a report of exempt distribution within the prescribed timeframe. In all CSA jurisdictions except British Columbia, the form of report is Form 45-106F1 *Report of Exempt Distribution* (**Form 45-106F1**). In British Columbia, the form of report is Form 45-106F6 *British Columbia Report of Exempt Distribution* (**Form 45-106F6**, which together with Form 45-106F1 are referred to as the **Current Reports**).

The Proposed Amendments would replace the Current Reports with the Proposed Report.

The Proposed Report is intended to:

1. reduce the compliance burden for issuers and underwriters by having a harmonized report of exempt distribution; and
2. provide securities regulators with the necessary information to facilitate more effective regulatory oversight of the exempt market and improve analysis for policy development purposes.

Filing Deadlines for Investment Funds

Currently, investment funds using certain prospectus exemptions have the option to report annually within 30 days after their financial year-end instead of within 10 days after a distribution. We propose to change the deadline for investment funds reporting annually to be within 30 days after the *calendar year-end* (i.e. by January 30) to improve the comparability and timeliness of the information collected. The March 2014 Proposals contemplated that investment funds would be required to report on a quarterly basis. The jurisdictions that published the March 2014 Proposals have decided not to proceed with the quarterly filing requirement.

Transition

Beginning on the date the Proposed Amendments come into force, all issuers required to file a report of exempt distribution, including investment funds that file annually, must file the Proposed Report. We do propose a transition period for the change in the filing deadline for investment funds. Investment funds filing on an annual basis would be expected to file the Proposed Report within 30 days after their financial year-end until the end of the calendar year that the Proposed Amendments come into force. By January 30 of the calendar year following the coming into force of the Proposed Amendments, all investment funds that file annually would be required to conform to the amended filing deadline requirement.

Background

There were two prior proposals by CSA jurisdictions related to the Current Reports, as summarized below. Comments from the prior proposals have informed this proposal.

The February 2014 Proposals

On February 27, 2014, the CSA published for comment proposed amendments to the Current Reports in conjunction with proposed amendments to Regulation 45-106 relating to the accredited investor and minimum amount investment prospectus exemptions (the **February 2014 Proposals**).

The February 2014 Proposals proposed to gather additional information related to:

- the category of accredited investor for each purchaser,
- updated industry categories, and

- any person being compensated in connection with the distribution, including identifying the purchasers in respect of which the person received compensation.

The March 2014 Proposals

On March 20, 2014, Alberta, Saskatchewan, Ontario and New Brunswick published for comment two new proposed forms for reporting exempt distributions (the **March 2014 Proposals**):

- proposed Form 45-106F10 *Report of Exempt Distribution For Investment Fund Issuers* (**Proposed Form 45-106F10**), and
- proposed Form 45-106F11 *Report of Exempt Distribution For Issuers Other Than Investment Funds* (**Proposed Form 45-106F11**).

Proposed Form 45-106F10 and Proposed Form 45-106F11 were intended to streamline exempt market reporting in applicable jurisdictions and obtain additional information about issuers, registrants and investors to enhance our ability to monitor exempt market activity. The Proposed Report has a similar objective. Notable differences between the March 2014 Proposals and the Proposed Report are summarized in Annex D.

Summary of Key Comments Received

A list of commenters who responded to the February 2014 Proposals and the March 2014 Proposals can be found in Annex A.

The February 2014 Proposals

The comment period on the February 2014 Proposals expired on May 28, 2014. The CSA received written submissions that addressed the proposed amendments to the Current Reports from 15 commenters, which can be viewed on the Alberta Securities Commission (**ASC**) website at www.albertasecurities.com, the Ontario Securities Commission (**OSC**) website at www.osc.gov.on.ca and the Autorité des marchés financiers (**AMF**) website at www.lautorite.qc.ca.

The March 2014 Proposals

The comment period on the March 2014 Proposals expired on June 18, 2014. The ASC, Financial and Consumer Affairs Authority of Saskatchewan, OSC and Financial and Consumer Services Commission (New Brunswick) received written submissions from 30 commenters, which can be viewed on the ASC website at www.albertasecurities.com and on the OSC website at www.osc.gov.on.ca.

We thank all commenters for their input. Summaries of their comments, together with our responses, are contained in Annex B and Annex C.

Summary of Proposed Changes to the March 2014 Proposals

After considering the comments received, the Proposed Amendments reflect changes to the March 2014 Proposals published with this Notice.

Summary of the Proposed Amendments

The Proposed Report requires disclosure of the following information:

- details about the issuer including its size and primary business activity,
- identities of the directors, executive officers, control persons and promoters of certain issuers,
- details about the securities distributed and, for certain jurisdictions, details about the documents provided in connection with the distribution,
- specific details about the exemptions relied on, both on an aggregate and per investor basis, and
- details about compensation paid to registrants, connected persons, insiders and employees of the issuer or the investment fund manager (**IFM**) involved in the distribution.

For investment fund issuers, the Proposed Report also requires disclosure regarding the size of the fund, the general category of the fund and net proceeds to the fund.

The Proposed Report contemplates carve-outs from certain information requirements for:

- investment fund issuers,
- reporting issuers and their wholly owned subsidiaries,
- foreign public issuers and their wholly owned subsidiaries, and
- issuers distributing eligible foreign securities only to permitted clients.

Framework of the Proposed Report

We have streamlined the Proposed Report not to require certain information that can be gathered through an issuer's continuous disclosure filings, an issuer's profile on the System for Electronic Document Analysis and Retrieval (**SEDAR**) or a registrant firm's National Registration Database (**NRD**) profile.

The table below describes the key differences between the Proposed Report and the Current Reports together with an explanation of the rationale for the requirement.

Information Requested	Rationale
Identifiers	
Firm NRD number for the underwriter, IFM and registrant being compensated	Disclosure of this unique identifier would allow securities regulators to accurately link information available through NRD to assist in our compliance program. Disclosure would also reduce duplication

Information Requested	Rationale
	where information required to be disclosed in the Proposed Report is available in NRD.
SEDAR profile number	Disclosure of the SEDAR profile number would assist securities regulators to access information about the issuer that is filed on SEDAR and part of the issuer's SEDAR profile. Issuers that provide a SEDAR profile number would not be required to complete certain sections of the Proposed Report.
Legal entity identifier of issuer	<p>The Global Legal Entity Identifier System is a system that provides a globally accepted standard for unique identification of parties to financial transactions. This system is overseen by the Legal Entity Identifier Regulatory Oversight Committee. Reporting the legal entity identifier for issuers that have one would help:</p> <ul style="list-style-type: none"> • address long-standing issues with entity identification, • provide a mechanism for linking exempt market reporting with derivative transaction reporting as well as other information collected for the purpose of monitoring systemic risk, and • build a more comprehensive risk profile for entities that operate in the exempt market.
CUSIP number	A CUSIP number is a nine character alphanumeric identifier that uniquely identifies a financial security. Disclosure of CUSIP numbers, if available, would facilitate additional information gathering about the issuer and the securities being distributed to better inform policy making and monitor exempt market activity.
Item 4 – Issuer Information (Non-Investment Fund Issuers)	
Primary industry of issuer	<p>The Current Reports require the issuer to select its industry group from a limited number of CSA-selected categories that do not match any standard industry classification. These categories also do not include all issuer industries resulting in a large proportion of uncategorized issuers.</p> <p>To resolve these issues, we propose to change the industry categories to align with the North American Industry Classification System (NAICS) that is</p>

Information Requested	Rationale
	<p data-bbox="678 254 1370 432">maintained in Canada by Statistics Canada. NAICS is widely used in North America by a number of government agencies (e.g. Canada Revenue Agency, Industry Canada and British Columbia Statistics) to track industry statistics.</p> <p data-bbox="678 468 1395 684">The Proposed Report would require issuers to disclose the six-digit NAICS code that most closely corresponds to their main business activity. Based on our research, we believe NAICS will be familiar to many issuers. Statistics Canada also provides a web-based search tool for issuers to locate their relevant industry category.</p> <p data-bbox="678 720 1403 898">The use of a comprehensive and standardized industry classification system would enable us to better understand exempt market activity and link it with other macro-level statistics to assist in more informed policy making.</p> <p data-bbox="678 934 1398 1150">The Proposed Report would also require issuers in the mining industry to disclose their stage of operations and issuers involved in certain investment activities to disclose their primary asset holdings. We believe these classifications are consistent with how these industries are often analyzed.</p>

Information Requested	Rationale
<p>Number of employees of the issuer</p>	<p>We propose to require issuers to indicate their number of employees, which will serve as a proxy for the size of the issuer. The Proposed Report lists four broad ranges of employee numbers for issuers to select.</p> <p>The selected ranges representing the number of employees provide a sufficient metric for size because:</p> <ul style="list-style-type: none"> • they are broadly consistent with those used by Statistics Canada to differentiate between small, medium and large businesses and so will already be familiar to some issuers, • reporting such a range is likely to be less commercially sensitive than reporting the actual number of employees or revenue of the issuer, and • information about the size of the issuer would assist us in policy development, such as by helping to assess whether capital raising prospectus exemptions are benefiting small and medium sized businesses.
<p>Additional information from issuers without a SEDAR profile</p>	<p>Certain information about an issuer can be obtained from its SEDAR profile.</p> <p>The Proposed Report would require disclosure of the following if the issuer does not have a SEDAR profile:</p> <ul style="list-style-type: none"> • date of formation, • financial year-end, • jurisdictions where reporting, • stock exchange listings, and • size of assets. <p>We believe this information is relevant for our analysis of exempt market activity and allows us to have comparable information across all issuers. Also refer to “Filing Systems” below.</p>
<p>Item 5 - Directors, Executive Officers, Control Persons and Promoters of Non-Investment Fund Issuers</p>	
<p>Name, title and province, state or country of residence of directors, executive officers, control persons or promoters</p>	<p>The British Columbia Securities Commission (BCSC) currently requires disclosure of this information for directors, executive officers, control persons and promoters of certain non-reporting issuers in Form 45-106F6. If the control person or promoter is not an</p>

Information Requested	Rationale
	<p>individual, information about the directors and executive officers of that control person or promoter would also be required. The collection of this type of information would be new for jurisdictions that currently require filing of Form 45-106F1.</p> <p>We believe that this information is important to bring greater transparency to the exempt market, facilitate our oversight of this market and enhance our compliance programs. This information would allow us to identify connections between issuers through related executives, directors and control persons. We think this information would also assist investors by:</p> <ul style="list-style-type: none"> • providing them with useful information for performing due diligence about an issuer, and • leveling the playing field between investors and an issuer’s insiders and promoters. <p>The Proposed Report would not require this information from:</p> <ul style="list-style-type: none"> • reporting issuers and their wholly owned subsidiaries, • foreign public issuers and their wholly owned subsidiaries, and • issuers distributing eligible foreign securities only to permitted clients. <p>We do not believe that it is necessary to require this information in the Proposed Report if the information would be publicly available for the issuer or its parent, or where the issuer is distributing an eligible foreign security only to permitted clients.</p>
<p>Number and total amount paid for voting securities of the issuer beneficially owned or directly or indirectly controlled</p>	<p>The BCSC currently requires reporting of the number and type of securities owned by directors, executive officers, control persons and promoters in Form 45-106F6, in addition to the total price paid for such securities. The collection of this type of information would be new for jurisdictions that currently require filing of Form 45-106F1.</p> <p>We think that this information would increase transparency in the exempt market and provide investors with an understanding of who controls the voting securities of the issuer and how much the management</p>

Information Requested	Rationale
	and principals of the issuer have invested in the business. The Proposed Report would not require this information from certain issuers as explained above.
Item 6 – Investment Fund Issuer Information	
Type of investment fund	<p>Non-investment fund issuers are required to identify their industry type in the Current Reports. We propose to require investment fund issuers to identify what type of investment fund they are in order to better understand fund types that are most active in the exempt market.</p> <p>This reporting would also increase our ability to profile exempt market activity by the investment fund industry and support the CSA’s evidence-based policy initiatives.</p>
Net asset value (NAV)	Information about the NAV of a fund will assist securities regulators to understand the size of funds operating in the exempt market, such as foreign investment funds accessing the Canadian market, and further inform policy development for investment funds.
Other	<p>The Proposed Report would require the following information from investment fund issuers that would provide additional insight into the profile of issuers that operate in the exempt market:</p> <ul style="list-style-type: none"> • date of formation, • financial year-end, • jurisdictions where reporting, and • stock exchange listings.
Item 7 - Information About the Distribution	
Type of securities distributed	<p>While the Current Reports require a description of the type of securities distributed, the Proposed Report would require this information to be provided in a more structured format, using specific 3-letter codes.</p> <p>Receiving this information in a structured format would improve the consistency of the information we receive in reports, making our oversight processes more efficient. Having greater insight into the types of securities that are being distributed in the exempt market would assist us in trend analysis, compliance programs and policy development.</p>

Information Requested	Rationale
<p>Net proceeds to the investment fund</p>	<p>The information from the Current Reports reflects purchases only and not redemptions of investment fund securities. As most investment funds offer some redemption rights, the purchase amount likely overstates the size of the market.</p> <p>We believe that gathering information about redemptions as well as purchases would provide a more complete picture of fund flows by investment fund issuers in the exempt market.</p>
<p>Offering materials</p>	<p>The Proposed Report would require filers to list all offering materials that are required to be filed or delivered in connection with the distribution under the securities legislation of Saskatchewan, Ontario, Québec, New Brunswick and Nova Scotia. For example, the issuer or underwriter would be required to list:</p> <ul style="list-style-type: none"> • offering memoranda and any other documents that are required to be filed under section 2.9 [<i>Offering memorandum</i>] of Regulation 45-106. • offering memoranda that are voluntarily provided, and required to be delivered to the OSC under section 5.4 [<i>Delivery of offering memorandum</i>] of OSC Rule 45-501 <i>Ontario Prospectus and Registration Exemptions</i>. <p>This is a reporting requirement only; the Proposed Amendments would not impose any new requirements to file or deliver offering documents. However, to the extent that new requirements to file or deliver offering materials arise in the applicable jurisdictions, issuers would be required to list such materials. For instance, on March 20, 2014, certain jurisdictions published for comment proposals to require delivery of offering materials in connection with proposed <i>Regulation 45-108 respecting Crowdfunding</i> as well as the delivery of marketing materials and financial statements in connection with proposed changes to the offering memorandum prospectus exemption. These proposals remain under consideration by separate CSA initiatives.</p> <p>Notably, there are no proposals that contemplate extending the requirement to provide marketing materials to apply to distributions under the accredited investor prospectus exemption and such materials are</p>

Information Requested	Rationale
	not required to be listed in the Proposed Report.
Item 8 – Compensation Information	
Identity of insiders, registrants or other individuals or entities being compensated	<p>The BCSC currently requires disclosure in Form 45-106F6 of whether the person being compensated is a registrant or insider of the issuer. The Proposed Report would continue to require this information.</p> <p>The Proposed Report would also require further information about persons being compensated, such as whether that person is an employee of the issuer or connected to the issuer. This additional information would enable us to assess the prevalence of financial relationships among connected persons and issuers.</p> <p>Having detailed information about these arrangements would allow us to enhance our existing compliance oversight program of the exempt market, as well as make future improvements to securities regulations impacting the exempt market.</p>
Schedule 1 – Addresses of Directors, Executive Officers, Control Persons and Promoters¹	
Full residential address	<p>While the BCSC currently requires disclosure of municipality and country in Form 45-106F6, the collection of full residential address information for issuers that are required to complete item 5 of the Proposed Report would be new for all jurisdictions.</p> <p>We believe that this information would assist us to more effectively allocate compliance resources.</p>
Business contact information for CEO of issuer	<p>Consistent with the reporting requirement in item 5, the Proposed Report would require the filer to provide the email address of the chief executive officer of certain issuers.</p> <p>We are requesting this information to assist us in addressing past challenges with contacting persons at issuers who are capable of answering questions about the distribution.</p>

¹ Address information will not be publicly available.

Information Requested	Rationale
Schedule 2 - Purchaser Information²	
Information about exemption relied on	<p>To assist in our compliance programs and future policy development, the Proposed Report would require the issuer or underwriter to identify the exemption relied upon in more detail, by requiring the section, subsection and paragraph of the exemption, where applicable.</p> <p>For example, the Proposed Report would require the issuer or underwriter to specify which category of accredited investor or eligible investor the purchaser met.</p> <p>The Proposed Report would only require the issuer or underwriter to identify one category, as opposed to all categories for which a purchaser is eligible, as proposed in the February 2014 Proposals and the March 2014 Proposals.</p>
Identification of whether the purchaser is an insider of the issuer or a registrant	<p>While the BCSC currently requires disclosure of whether the purchaser is a registrant or an insider of the issuer in Form 45-106F6, collection of this information would be new for jurisdictions that currently require filing of Form 45-106F1.</p> <p>We believe this information would be useful for identifying connections between purchasers and issuers, which would facilitate our oversight of the exempt market and enhance our compliance programs.</p>
Identification of person or firm being compensated for each purchaser	<p>The Proposed Report would require the issuer or underwriter to specifically identify the person that was compensated for a distribution made to each purchaser. This information would enhance our compliance programs, provide us with better information about the financial relationships that exist between issuers and the person(s) being compensated, and allow us to monitor unregistered finders, compensation rates of finders and whether registrants are trading in jurisdictions where they are not registered.</p>

² Purchaser information will not be publicly available.

Filing Systems

In British Columbia and Ontario, issuers and underwriters are required to file reports electronically. We have designed the Proposed Report to be filed using the current filing systems available in these provinces. We have also considered how the Proposed Report would be filed using SEDAR, as contemplated by an initiative of all CSA jurisdictions other than British Columbia and Ontario.³

For a cross-country distribution, we anticipate that an issuer or underwriter would be able to file the Proposed Report by completing the OSC's electronic form and subsequently filing an electronic copy of the report generated by the OSC's system on BCSC eServices and SEDAR. Furthermore, an issuer or underwriter that prepares a report for filing on SEDAR would be able to file that same report on BCSC eServices and vice versa.

A longer-term CSA project is underway to create a single integrated filing system for reports of exempt distribution that would further reduce regulatory burden on market participants. The integrated filing system would be part of the larger CSA systems renewal project for which a Request for Proposal was released and responses are currently being evaluated.

Local Matters

An annex is being published in British Columbia, Saskatchewan and Ontario in order to set out related proposed changes to local securities legislation or provide additional information that is relevant to those jurisdictions only.

Request for Comments

We welcome your comments on the Proposed Amendments. In addition to any general comments you may have, we also invite comments on the following specific questions:

1. The information collected in the Proposed Report would enhance our understanding of exempt market activity and, as a result, facilitate more effective regulatory oversight of the exempt market and inform our decisions about regulatory changes to the exempt market. Do the reporting requirements of the Proposed Report strike an appropriate balance between: (i) the benefits of collecting this information, and (ii) the compliance burden that may result for issuers and underwriters? If not, please explain.
2. Are there reasons why any of the information requested in the Proposed Report should not be required? Is there any alternative or additional information, including as requested in the March 2014 Proposals, that would better support compliance or policy analysis?

³ See Multilateral CSA Notice Request for Comment for Draft *Regulation to amend Regulation 13-101 respecting System for Electronic Document Analysis and Retrieval (SEDAR)* and Draft *Regulation to amend Regulation 13-102 respecting System Fees for SEDAR and NRD*, published on June 30, 2015.

3. The Proposed Report would require information about the issuer's size by number of employees, size of total assets or, for investment funds, net asset value. Are there other metrics that would be more appropriate to assess the issuer's size? Do the pre-selected ranges compromise sensitive financial or operational information about non-reporting issuers that participate in the exempt market?
4. The Proposed Report would require issuers, other than investment funds, to use the NAICS codes to identify their primary industry. As noted above, using a standard industry classification is intended to provide securities regulators with more consistent information on the industries accessing the exempt market and to facilitate more direct comparison to other statistical information using the same classification, such as reports from Statistics Canada. Would the application of NAICS present challenges for issuers? Are there alternative standard industry classification systems that may be more appropriate? If so, please specify.
5. The Proposed Report would not require: (i) foreign public issuers and their wholly owned subsidiaries, or (ii) issuers that distribute eligible foreign securities only to permitted clients, to disclose information about their directors, executive officers, control persons and promoters. Do these carve-outs provide appropriate relief to issuers that are either subject to certain foreign reporting regimes or have their mind and management outside of Canada? If not, please explain.
6. The Proposed Report would require public disclosure of the number of the issuer's voting securities owned or controlled by directors, executive officers, control persons and promoters of certain non-reporting issuers, and the amount paid for them. This information is intended to provide valuable information for investors and increase transparency in the exempt market. Would disclosure of the percentage of voting securities owned or controlled by directors, executive officers, control persons and promoters of the issuer also be useful information for potential or existing investors?
7. The Proposed Report would require the disclosure of the residential address of directors, executive officers, control persons and promoters of certain non-reporting issuers in a separate schedule that would not be publicly available. Do you have any concerns regarding the requirement to disclose this information to securities regulators?
8. The information collected in the Proposed Report will be publicly available with the exception of the information required in Schedule 1 and Schedule 2. Does the Proposed Report appropriately delineate between public and non-public information? In particular:
 - a. Would non-reporting issuers have specific concerns regarding the public disclosure of this information and, if so, why?
 - b. Is the publication of firm NRD number, which will help identify the involvement of a registrant in a distribution for compliance purposes, appropriate?
9. In an effort to simplify and streamline the exempt market reporting regime for market participants, the Proposed Amendments would create one form for all issuers, with some

items applicable only to non-investment fund issuers and some items applicable only to investment fund issuers. Should we require a specific form for investment fund issuers, as proposed in the March 2014 Proposals, and if so, why?

10. The Proposed Report would change the deadline for investment funds reporting annually to within 30 days after the calendar year-end (i.e. by January 30), rather than 30 days following their financial year-end. The purpose of this proposed change is to improve the timeliness and comparability of information from all investment fund issuers, regardless of their different financial year-ends. Would this proposed change present a significant burden for investment fund issuers?
11. The Proposed Report includes Schedule 1 and Schedule 2, which would be required to be filed in electronic format. We anticipate that filing in electronic format will improve our information collection, enhance our ability to conduct compliance and policy analysis, and potentially lead to technological efficiencies for filers. If we were to provide templates in Excel format, would there be any specific technological barriers that would be burdensome for filers to overcome? If so, are there other formats that would be less burdensome and would accomplish the same goals of filing in the proposed format?

Please submit your comments in writing on or before October 13, 2015. If you are not sending your comments by email, please send a CD or USB drive containing the submissions (in Microsoft Word format).

Address your submission to all of the CSA as follows:

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

Deliver your comments **only** to the addresses below. Your comments will be distributed to the other participating CSA 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. Please note that comments received will be made publicly available and posted on websites of the ASC at www.albertasecurities.com, the OSC at www.osc.gov.on.ca and the AMF at www.lautorite.qc.ca, and may be posted on the websites of certain other securities regulatory authorities. You should not include personal information directly in the comments to be published. It is important that you state on whose behalf you are making the submission.

Content of Annexes

This notice contains the following annexes:

Annex A — List of Commenters

Annex B – Summary of Comments on the February 2014 Proposals

Annex C – Summary of Comments on the March 2014 Proposals

Annex D – Summary of Notable Differences between the March 2014 Proposals and the Proposed Report

Questions

Please refer your questions to any of the following:

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Annex A
List of Commenters

Commenters on February 2014 Materials

1. Advocis
2. Alternative Investment Management Association
3. Blake, Cassels & Graydon LLP
4. Canadian Advocacy Council for Canadian CFA Institute Societies
5. Cawkell Brodie LLP
6. Davies Ward Phillips & Vineberg LLP
7. Osler, Hoskin & Harcourt LLP
8. Private Capital Markets Association of Canada
9. Prospectors & Developers Association of Canada
10. Portfolio Management Association of Canada
11. RBC Dominion Securities Inc., RBC Phillips Hager & North Investment Counsel Inc. and RBC Global Asset Management Inc.
12. Securities Industry and Financial Markets Association
13. Stikeman Elliott LLP
14. TMX Group Limited
15. Walton International Group Inc.

Commenters on March 2014 Materials

1. Advocis
2. Alternative Investment Management Association
3. AUM Law
4. Blair Franklin Asset Management Inc.
5. Blake, Cassels & Graydon LLP
6. Canadian Advocacy Council for Canadian CFA Institute Societies
7. Canadian Foundation for Advancement of Investor Rights
8. Canadian Securities Exchange
9. Chase Alternatives
10. CI Investments Inc.
11. Davies Ward Phillips & Vineberg LLP
12. Equity Crowdfunding Alliance of Canada
13. Investment Funds Institute of Canada
14. Investment Industry Association of Canada
15. KV Capital Inc.
16. McCarthy Tétrault LLP
17. National Crowdfunding Association of Canada
18. National Exempt Market Association
19. Nexus Investment Management Inc.
20. NorthCrest Partners Inc.

21. Open Avenue Inc.
22. Osler, Hoskin & Harcourt LLP
23. Private Capital Markets Association of Canada
24. Prospectors & Developers Association of Canada
25. Portfolio Management Association of Canada
26. Portland Investment Counsel Inc.
27. RBC Dominion Securities Inc., RBC Phillips Hager & North Investment Counsel Inc. and RBC Global Asset Management Inc.
28. SecureCare Capital Inc.
29. Securities Industry and Financial Markets Association
30. Stikeman Elliott LLP

Annex B
Summary of Comments on the February 2014 Proposals

No.	Topic	Comments	Responses
Proposed Changes to the Current Reports			
1.	Prioritize harmonizing reporting obligations across Canada	Several commenters expressed concern that Canada has two separate forms for reporting exempt distributions: Form 45-106F6 in British Columbia and Form 45-106F1 in all other jurisdictions. These commenters expressed frustration that the CSA did not harmonize the forms and that issuers are required to file reports in multiple jurisdictions about the same transaction. These commenters asked that the CSA make it a priority to harmonize the forms and the filing requirements.	<p>The CSA recognizes the importance of having harmonized forms. The Proposed Report would be the required form across the CSA.</p> <p>For a cross-country distribution, we anticipate that an issuer or underwriter would be able to file the Proposed Report by completing the OSC's electronic form and subsequently filing a copy of the report generated by the OSC's system on BCSC eServices and SEDAR. Furthermore, an issuer or underwriter that prepares a report for filing on SEDAR would be able to file that same report on BCSC eServices and vice versa.</p> <p>A longer-term CSA project is underway to create a single integrated filing system for reports of exempt distribution.</p>
2.	Support for requiring additional information	One commenter agreed that the additional information required in the proposed amendments to Form 45-106F1 and Form 45-106F6 would be useful information for the regulators and should not be unduly burdensome for issuers to provide.	We acknowledge this comment of support.

No.	Topic	Comments	Responses
3.	Against requiring additional information	<p>Several commenters questioned whether it is necessary to require additional information in the reports of exempt distribution. These commenters expressed concern that requiring this additional information would increase the costs and time involved in capital raising. Other commenters were concerned that some of the additional disclosure requirements would raise privacy concerns.</p> <p>Some of these commenters identified that foreign issuers in particular may decide to exclude Canadian purchasers from their offerings because of these additional requirements. Some of these commenters identified specific areas of concern that are described below.</p>	<p>We received similar comments on the March 2014 Proposals. We have considered these comments in developing the Proposed Report.</p> <p>We think the additional information requested in the Proposed Report is necessary to enhance our understanding of distributions in the exempt market, including the activities of dealers and advisers. This would facilitate more effective regulatory oversight, enhance our compliance programs and inform future policy development.</p> <p>We have provided carve-outs from certain information requirements to:</p> <ul style="list-style-type: none"> • reporting issuers and their wholly owned subsidiaries, • foreign public issuers and their wholly owned subsidiaries, • issuers distributing eligible foreign securities only to permitted clients, and • investment fund issuers.
4.	Additional information requirements – persons being compensated, applicable categories of accredited investor, information about foreign distributions	<p>Several commenters questioned whether it is necessary to require the following additional information in the report of exempt distribution:</p> <ul style="list-style-type: none"> • naming each person being compensated for the distribution, • identifying all applicable categories of accredited investor that the purchaser qualifies under, and • disclosing each Canadian and foreign jurisdiction where purchasers reside. 	<p>We received similar comments on the March 2014 Proposals. We considered these concerns when developing the Proposed Report.</p> <p>In particular, we have amended the requirements in the Proposed Report to address some of these concerns, as follows:</p> <ul style="list-style-type: none"> • We have clarified that disclosure about compensation is limited to payments made by the issuer directly. For example, if the issuer compensates a firm, the issuer would only be required to report this information, not details of how the firm compensated its

No.	Topic	Comments	Responses
			<p>employees on an individual basis.</p> <ul style="list-style-type: none"> • The Proposed Report would only require issuers to identify one category of accredited investor that applies to the purchaser in Schedule 2. The issuer or underwriter would no longer be required to list all paragraphs that may apply to the purchaser. • We have clarified that issuers located outside of Canada would only be required to disclose information about distributions to purchasers resident in Canada. • We have provided carve-outs from certain disclosure requirements for: <ul style="list-style-type: none"> ○ reporting issuers and their wholly owned subsidiaries, ○ foreign public issuers and their wholly owned subsidiaries, ○ issuers distributing eligible foreign securities only to permitted clients, and ○ investment fund issuers.
5.	Additional information requirements – beneficial owners of fully managed accounts	Two commenters questioned whether it is necessary for issuers to disclose the beneficial owner of fully managed accounts.	<p>We received similar comments on the March 2014 Proposals.</p> <p>This is not a new requirement. The Current Reports require issuers to give information about the beneficial owner, even when a registered portfolio manager or trust company is purchasing on behalf of a fully managed account. We use this information in our oversight of registered advisers and to assist with our compliance functions.</p>

No.	Topic	Comments	Responses
6.	Additional information requirements – whether purchaser or person compensated is a registrant or an insider of the issuer	Several commenters questioned whether it is necessary for issuers to identify whether any persons being compensated and any purchasers are registrants or insiders of the issuer. These commenters thought this information may be administratively burdensome, particularly for foreign issuers.	<p>This information is already required in Form 45-106F6 in British Columbia and would be required in the Proposed Report.</p> <p>The Proposed Report would also require information about whether the person being compensated is an employee of, or connected to, the issuer. The additional information about persons being compensated would enable the CSA to assess the prevalence of financial relationships among companies. Having detailed information about these arrangements would allow us to enhance our existing compliance oversight program of the exempt market, as well as make future improvements to securities regulations impacting the exempt market.</p> <p>We think information about whether a purchaser is an insider of the issuer or a registrant would be useful for identifying connections between distributions and issuers that would facilitate our oversight of the exempt market and enhance our compliance programs.</p>
7.	Filing reports in more than one jurisdiction	Two commenters did not agree with the direction in Form 45-106F1 that, if distributions are made in more than one jurisdiction, the issuer or underwriter must complete a single report identifying all distributions and file that report in all jurisdictions in which the distributions were made. One of these commenters did not agree that this should be mandatory; they suggested it be optional for the issuer or underwriter. These same commenters requested that the CSA specify which jurisdictions require reporting by issuers resident in the	<p>We received similar comments on the March 2014 Proposals.</p> <p>This direction already exists in Form 45-106F1. It reflects the position of many CSA jurisdictions concerning when a distribution occurs.</p> <p>The Proposed Report provides more guidance on when a distribution occurs and also clarifies that issuers located outside of Canada are only required to provide information about</p>

No.	Topic	Comments	Responses
		jurisdiction to purchasers outside the jurisdiction.	distributions to purchasers resident in Canada. Many jurisdictions currently use this information to understand how and where issuers in their jurisdiction are accessing capital and for compliance purposes.
8.	Provide more data and transparency about the exempt market and compliance issues in the exempt market	Two commenters suggested that the CSA should make data about the use of prospectus exemptions available to the public. These commenters also suggested that the CSA should be more transparent about compliance issues in the exempt market.	There is a separate initiative in applicable jurisdictions to make the reports of exempt distribution publicly available on SEDAR when a distribution occurs in CSA jurisdictions other than British Columbia and Ontario. In British Columbia, reports of exempt distribution are already publicly available on the BCSC's website. In Ontario, it is anticipated that information regarding exempt market activity would be available electronically on the OSC's website. As noted in the Proposed Report, Schedule 1 and Schedule 2 would not be placed on the public file of any securities regulatory authority or regulator.
9.	Protection of personal information	Two commenters commented that certain information requested in the February 2014 Proposals was personal in nature and should not be publicly available, particularly concerning purchasers. One of the commenters expressed concern about the risk of inadvertent disclosure of personal information. The other commenter stated that Form 45-106F6 already makes too much purchaser information publicly available.	The Proposed Report has been designed to ensure that personal information would be reported in schedules that would be kept confidential. This includes all specific purchaser information.

Annex C
Summary of Comments on the March 2014 Proposals

No.	Topic	Comments	Responses
General			
1.	Support for improved information collection	<p>Several comments supported the proposal to improve data collection to better understand activity in the exempt market.</p> <p>One commenter believed the private markets are in need of more information to better calculate trends and market conditions.</p> <p>Another commenter supported improvements to the ability to monitor the use of capital-raising exemptions and the parties involved to better inform policy making in the future. This commenter supported the March 2014 Proposals and other necessary changes in order to collect better information and also supported the publication of this information in order to improve the policy-making process. This commenter encouraged all CSA members to adopt the March 2014 Proposals in order to collect the required information on the exempt market.</p>	We acknowledge these comments of support.

No.	Topic	Comments	Responses
2.	Further disharmony in the exempt market reporting regime	<p>Several commenters expressed general concern that the March 2014 Proposals represent a further fragmentation of the CSA, as it could require issuers to file up to four different exempt distribution reports each with unique information and filing requirements.</p> <p>The following are examples of specific concerns provided:</p> <ul style="list-style-type: none"> • Filing various reports in different formats would be time consuming and increase compliance costs which may deter issuers from offering securities in some jurisdictions altogether to reduce their compliance burden. • The March 2014 Proposals would undermine the harmonization principle in section 2.1 of the <i>Securities Act</i> (Ontario). • A cursory review of documents suggests that with some slight re-drafting the various proposed forms could be harmonized into a single reporting document. • The disharmony in regulatory approach paints Canadian securities regulation in a poor light to foreign issuers. This undermines the goal of creating confidence in the capital markets in Canada. <p>Several of these commenters strongly encouraged the CSA to work to harmonize the exempt market reporting regime in Canada. One commenter acknowledged that while certain prospectus</p>	<p>The CSA recognizes the importance of having harmonized forms. The Proposed Report would be the required form across the CSA.</p>

No.	Topic	Comments	Responses
		<p>exemptions are designed to facilitate early stage and small business financing, which can be local in nature, this local activity does not warrant a fragmented approach to prospectus exemptions or exempt trade reporting. This commenter was of the view that Canada’s capital markets, including investors, intermediaries and issuers operating in local markets only, would greatly benefit from consistent, harmonized securities regulation.</p>	
3.	<p>Benefit of collecting additional information is unclear and may not justify cost and burden of compliance</p>	<p>Some commenters believed that the benefit of collecting some of the additional information is unclear. One of these commenters further noted that some of the proposed items that may provide better information on exempt market activity with respect to transactions that largely involve Canadian entities would not provide better information on exempt market activity in Canada where the transaction has little or no connection with Canada other than a very small number of Canadian institutional investors purchasing securities through exempt international dealers.</p> <p>Several commenters were of the view that the additional cost and burden that would be incurred to comply with the March 2014 Proposals outweigh the benefit of additional information for regulatory authorities.</p> <p>Examples of concerns raised by commenters include the following:</p>	<p>The Proposed Report is intended to:</p> <ul style="list-style-type: none"> • reduce the compliance burden of exempt distribution for issuers and underwriters by harmonizing the report, and • provide securities regulators with the information that is necessary to enhance its understanding of exempt market activity, including the activities of dealers and advisers in the exempt market, and facilitate more effective regulatory oversight of the exempt market and related policy development. <p>We have also removed certain requirements from the Proposed Report that were set out in the March 2014 Proposals. The notice describes the information that would be required in the Proposed Report that is not required by the Current Reports, together with the CSA’s rationale for such requirements.</p>

No.	Topic	Comments	Responses
		<ul style="list-style-type: none"> • The requirements would likely act as (i) an additional disincentive for investment funds that are currently distributed in the exempt market to continue to do business in Canada, and (ii) a barrier to entry for new investment funds. • Any marginal investor protection benefits which the March 2014 Proposals might create are outweighed by the drag created on capital formation by gathering information in these reports when the information could easily and more reliably be gathered from issuers in a different way. • It is not appropriate for the CSA to download research costs onto the shoulders of stakeholders without first making an effort to minimize the compliance resources of registrants which would be consumed by its information requests. • The March 2014 Proposals would substantially increase the costs of capital raising for Canadian businesses through the significant additional compliance burdens they would impose. • Start-ups and SMEs would be subject to additional compliance costs. • Underwriters should not be subject to filing obligations which they cannot fulfill without the cooperation of issuers and much of the information would not be available in a timely manner for filing purposes. • It has not been demonstrated that there are significant issues in exempt distributions of investment funds, which demand increased 	<p>Also, as explained in items 4, 6 and 40, the Proposed Report has been designed to reduce duplicate reporting of information that is otherwise available to the CSA. The Proposed Report would also provide carve-outs from certain information requirements where we believe the cost of compliance may exceed the benefit of the information. We have provided carve-outs from certain information requirements to:</p> <ul style="list-style-type: none"> • reporting issuers and their wholly owned subsidiaries, • foreign public issuers and their wholly owned subsidiaries, • issuers distributing eligible foreign securities only to permitted clients, and • investment fund issuers.

No.	Topic	Comments	Responses
		information requests.	
4.	Increased compliance burden placed on foreign issuers, IFMs and dealers may result in less choice for Canadian investors	<p>Several commenters expressed concern that the administrative burden placed on foreign issuers and dealers to comply with the March 2014 Proposals may provide a disincentive for foreign issuers to conduct offerings in Canada, resulting in less choice for Canadian investors.</p> <p>Examples of concerns raised by commenters include the following:</p> <ul style="list-style-type: none"> • Foreign dealers would be required to obtain and disclose information regarding foreign issuers and Canadian investors to which they do not have access, have a legal right to receive and which would be difficult to obtain within the prescribed 10-day filing deadline. • Foreign dealers operating under the “international dealer” exemption would be unable to comply with the new reporting requirements on a cost effective basis, if at all. As a result, Canadian institutional and other accredited investors would not be able to continue purchasing non-Canadian securities on a private placement basis, because foreign dealers may not be able to obtain the information required by the new reporting forms. • The March 2014 Proposals may be considered a step backward as the granting of the “wrapper” exemption orders was an attempt to make it easier for international offerings to be extended 	<p>Offerings by foreign issuers represent a significant portion of exempt market activity in Canada. The CSA’s primary source of information on the exempt market is reports of exempt distribution. We believe that better information is necessary to more effectively inform policy development and to better understand the participants in the exempt market in Canada.</p> <p>However, the Proposed Amendments do not contemplate certain requirements that were included in the March 2014 Proposals applying to certain foreign issuers. For example, the Proposed Report carves out foreign public issuers and issuers distributing an eligible foreign security only to permitted clients from the proposed requirement to provide information regarding an issuer’s directors, executive officers, control persons and promoters. We believe that the remaining information requested of foreign issuers in the Proposed Report is information that filers would be able to provide.</p> <p>Please also refer to response 33 for a discussion of marketing materials.</p>

No.	Topic	Comments	Responses
		<p>to the Canadian institutional market. Requiring foreign issuers to seek legal advice regarding certain Canadian concepts is also inconsistent with the purpose of the exempt system which is intended to permit foreign issuers to access the Canadian market without having to examine these concepts which apply to Canadian reporting issuers.</p> <ul style="list-style-type: none"> • Given the size of the Canadian investor base, global capital market practice generally would not adapt to meet Canadian requirements, which would result in the exclusion of foreign offerings from Canada or particular Canadian provinces to the detriment of Canadian investors and Canada as a financial centre. <p>One commenter also suggested further consideration of the aggregate impact of changes to the reporting regime contemplated by the March 2014 Proposals, including the filing of marketing materials, on <i>Regulation 51-105 respecting Issuers Quoted in the U.S. Over-the-Counter Markets</i> and the IFM registration requirements in certain provinces. In particular, this commenter suggested regulators consider whether the benefit justifies the compliance cost along with the extent to which Canadian institutional investors would be excluded from participating in offerings by foreign issuers. This commenter also suggested the CSA establish a committee of Canadian institutional investors to solicit feedback on access to foreign investment</p>	

No.	Topic	Comments	Responses
		<p>opportunities.</p> <p>Another commenter proposed that as an alternative to satisfying the proposed reporting requirements, a foreign investment fund should be able to provide a foreign filed report as a schedule to Proposed Form 45-106F10 or incorporate by reference a publicly filed foreign document.</p>	
5.	Requirements are inconsistent with original purpose of reports	One commenter noted that the March 2014 Proposals are inconsistent with the original purpose of the reports of exempt distribution which was to allow regulators to monitor compliance with available exemptions and hold periods, and not as a tool for regulators to enhance their understanding of exempt market activity at the expense of filers.	Exempt market activity has grown and evolved, resulting in a need for better information than what is being provided in the Current Reports to more effectively oversee compliance in the exempt market. The Proposed Report and Proposed Amendments would improve information collection, which is intended to better inform future policy development.
6.	Duplication of existing information	Several commenters were of the view that much of the new information requested in the March 2014 Proposals is already available to regulators. To the extent information can otherwise be obtained, these commenters recommended exclusion from the proposals to reduce administrative burden for issuers and underwriters. Commenters suggested that information can be obtained from other sources such as NRD, continuous disclosure filings and documents that IFMs already produce and make available to investors.	<p>As compared to the March 2014 Proposals, the Proposed Report contemplates not requiring issuers or underwriters to report certain information that would be available to the CSA through alternative sources. For example:</p> <ul style="list-style-type: none"> • information that would be readily available from an issuer’s SEDAR profile if the issuer provides its SEDAR profile number, • information about directors, executive officers, control persons and promoters for reporting issuers, foreign public issuers and wholly owned subsidiaries of such issuers,

No.	Topic	Comments	Responses
			<p>and</p> <ul style="list-style-type: none"> • specific information about registered firms that is readily available from NRD, if the firm’s NRD number is provided.
7.	Static information for investment funds	<p>As certain information in Proposed Form 45-106F10 would likely not change from quarter to quarter, several commenters suggested that Proposed Form 45-106F10 and/or the reporting system be changed to allow investment funds to rely upon information provided in previously filed reports in order to ease the administrative burden. One approach would be to divide the information in Proposed Form 45-106F10 to two types – Fund Information and Distribution Data. The former would generally be unchanged from report to report; whereas, the latter would be different for each report. The system can then be designed to setup the fund initially with Fund Information and update accordingly, and the Distribution Data can be uploaded on a quarterly basis.</p>	<p>The Proposed Report contemplates excluding certain information that can be obtained from an IFM’s NRD number, if the NRD number is provided.</p> <p>These suggestions will be considered as part of any future review of filing systems. Also, as further discussed in response 8 below, investment fund issuers will continue to be able to file annually, or more frequently if desired.</p>
Change in Filing Requirements for Investment Fund Issuers			
8.	Increased frequency of reporting would increase compliance costs and burden	<p>Some commenters were of the view that the alternative filing frequency for investment funds should not be increased from annually to quarterly, as this would increase compliance costs, which would ultimately be borne by investors.</p> <p>A few commenters said that as details pertaining to</p>	<p>After reviewing the comments from market participants, we have determined not to change the filing frequency at this time. However, we are instead proposing to change the annual filing option for investment funds from financial year reporting to calendar year reporting. This change would improve the comparability and timeliness</p>

No.	Topic	Comments	Responses
		<p>an investment fund change infrequently, an annual report should be more than sufficient to keep regulators informed and questioned why annual reporting was insufficient so as to require a shift to quarterly reporting.</p> <p>In addition, one commenter noted that as the original purpose of annual reporting was to lessen the frequency of exempt market reporting, for investment funds in continuous distribution, the CSA should retain the annual reporting regime instead of moving to quarterly reporting.</p>	<p>of the information collected for the investment fund industry.</p>
9.	Increased activity fees	<p>Several commenters said that a change from annual to quarterly filing requirements would result in increased activity fees for investment funds that are in continuous distribution. Some of these commenters said that it is not necessary to charge fund managers the requisite activity fees per quarter to provide information that is generally already available to the regulators, especially investment funds with relatively small assets under management and/or not enough activity to justify the increased fees. These commenters expressed concern that there may be instances when there is infrequent activity, for example, when there is only one distribution per quarter across all or most of an IFM's funds, which would result in a four-fold increase in the number of reports filed and corresponding activity fees.</p>	<p>As noted above, we have determined not to change the frequency of reporting at this time. As a result, there will be no increase in activity fees because of more frequent filings.</p>

No.	Topic	Comments	Responses
Proposed Form 45-106F10 and Proposed Form 45-106F11: Foreign Currency			
10.	Using foreign currency	Some commenters stated that dollar amounts in the March 2014 Proposals should be provided in the issuer's currency in order to reduce the risks associated with converting values to Canadian dollars.	It is important that issuers report values associated with the distribution in Canadian dollars for the purpose of calculating fees and information comparability. The Proposed Report would allow filers to provide specific details regarding the currency of the distribution and includes an instruction regarding the conversion of foreign currencies for the purpose of the Proposed Report.
Proposed Form 45-106F10 – Item 1 and Item 7 and Proposed Form 45-106F11 – Item 2 and 3.2: Business Email Address			
11.	Business email address of CEO of issuer, CEO of underwriter and IFM	<p>Five commenters had concerns with the proposed requirement to provide this information due to one or more of the following reasons:</p> <ul style="list-style-type: none"> • designated contact information for the issuer and underwriter is provided elsewhere on the form, • the CEO would be reluctant to disclose and the public disclosure of a CEO's email address may give rise to abuse and hacking attempts, • there are no other requirements to provide information about the CEO of an exempt international dealer including in a registration exemption filing, • the CEO of the issuer may not and the CEO of the underwriter would not have any involvement in the distribution, • it is ordinarily an underwriter that handles the post-trade filings with Canadian securities 	<p>We are seeking more meaningful contact information of the issuer to address past challenges with contacting the persons at organizations who are capable of answering questions about the distribution. We believe business email communication is an effective, efficient and commonly used method of communication.</p> <p>While the March 2014 Proposals included the disclosure of the business email address of the IFM and the CEO of the issuer and underwriter, the Proposed Report does not require the business email address of the CEO at the underwriter. Consistent with the reporting requirements in item 5, the Proposed Report would only require the filer to provide the email address of the CEO of certain issuers in a</p>

No.	Topic	Comments	Responses
		<p>regulators, with no involvement in the filing on the part of the issuer,</p> <ul style="list-style-type: none"> • the CEO of a foreign issuer whose securities are distributed globally may not be aware that the securities are being sold, for example, into Ontario, and • this may be information that the issuer is unwilling to provide or is not known to the dealer. <p>One of these commenters also suggested that the CEO of a foreign issuer may consider it inappropriate to provide this information to the public, or even privately to a Canadian regulator, where it is not required by other foreign regulators or in the home jurisdiction, potentially impacting offerings to Canadian investors.</p>	<p>confidential schedule of the Proposed Report.</p>
Proposed Form 45-106F10 – Item 1 and Proposed Form 45-106F11 – Item 3.3.1: Date of Formation			
12.	<p>Difficulty in providing information regarding the date of formation (for a non-investment fund issuer) or date created (for an investment fund)</p>	<p>Some commenters expressed concern that many issuers may be entities that have undergone various reorganizations and transformations over a long period of time and identifying the date on which they were formed may not be straightforward. The need to obtain this specific information may cause the underwriters to forego offering securities to Canadian investors.</p> <p>Another commenter expressed concern that unless this information is clearly stated in the offering</p>	<p>This information is already provided by issuers that have a SEDAR profile.</p> <p>The Proposed Report would require issuers that do not have a SEDAR profile number to report this information in order to enhance our understanding of issuers that are operating in the exempt market and their stage of development.</p> <p>As underwriters and filing agents adjust to the requirements of the Proposed Report, they would</p>

No.	Topic	Comments	Responses
		<p>document the preparer would have to contact the issuer to obtain this information, as it would not likely be known to the dealer. For investment fund issuers, the same commenter noted that this information may be difficult to obtain for a service provider as the investment fund’s formation documents would not necessarily have this information.</p>	<p>have an opportunity to streamline their processes for obtaining the requisite information from issuers.</p>
<p>Proposed Form 45-106F10 – Item 2 and Proposed Form 45-106F11 – Item 3.3.2 and 3.3.3: Reporting Issuer Status and Listing Status</p>			
14.	<p>Relevance of naming all the exchanges or marketplaces on which securities of the issuer are listed or traded</p>	<p>One commenter stated that the definition of “marketplace” in <i>Regulation 21-101 respecting Marketplace Operations</i> is broad, and may capture locations of which the issuer may itself be unaware. The same commenter also questioned the relevance of naming all the exchanges or marketplaces on which the issuer is listed or traded, especially when that relates to securities other than those being reported.</p> <p>One commenter noted that issuers may be listed without having applied for, and without knowledge of, such listing. As such, the issuers should only be required to name exchanges they have applied for and received a listing or on which the issuer has its primary listing.</p> <p>Another commenter expressed concern that the preparer would have to obtain this information from</p>	<p>The Proposed Report contemplates not requiring this information for issuers that provide this information in a SEDAR profile. For other issuers, the instructions to the Proposed Report clarify that the information to be provided is limited to exchanges where an issuer has applied for and received a listing and excludes automated trading systems.</p>

No.	Topic	Comments	Responses
		the dealer who would have to consult a third party source in order to supply a comprehensive list.	
15.	Foreign issuers – difficulty in determining reporting issuer status	One commenter noted that in the case of foreign issuers, it is difficult to certify that it is not a reporting issuer in Canada, as it may have elected not to file on SEDAR and there is no national reporting issuer list.	The Proposed Report retains this requirement from the Current Reports.
Proposed Form 45-106F10 - Item 4 and Item 8: Directors and Executive Officers of the Investment Fund and IFM			
16.	Concerns with providing information	<p>One commenter noted that a general partner of a limited partnership may be a limited partnership itself and, accordingly, additional guidance should be provided as to reporting in such instances. This same commenter also noted privacy concerns for private limited partnerships and general partners who would be required to report such non-public information.</p> <p>One commenter noted that the identification of “executive officers”, as defined in Regulation 45-106, involves significant analysis and would be burdensome solely for the purposes of a post-closing trade report, especially for large foreign issuers with numerous directors and officers.</p> <p>One commenter noted that names listed in offering documents may not be full legal names and would be impractical to obtain. This commenter also noted that titles and jurisdictions of residence may change</p>	In the Proposed Report, investment fund issuers would not be required to provide director and executive officer information as this information is collected as part of the registration of the IFM and available on NRD.

No.	Topic	Comments	Responses
		<p>from time to time, which would require a service provider to conduct an ongoing update to ensure this information is correct for an investment fund’s proposed quarterly filings.</p> <p>Furthermore, this commenter expressed that an unaffiliated fund manager is not obligated to provide this information to an investment fund and would be unlikely to provide this information solely to conduct a private placement in Canada. According to this commenter, this information goes beyond what is required for the purposes of compliance with the registration requirements for non-resident managers.</p> <p>Another commenter stated that the requirement to provide director and executive officer information should not apply where (a) the entity is formed outside of Canada, or (b) the entity is a reporting issuer in Canada as this information may not be required to be provided in foreign jurisdictions and is made publicly available by reporting issuers.</p>	
Proposed Form 45-106F10 - Item 5: Type of Investment Fund			
17.	Further guidance	One commenter sought further guidance and clarification as to the definitions of “money market fund”, “hedge fund” and “other investment fund”.	The categories and instructions of investment fund types have been updated to assist issuers to accurately identify their fund type based on general industry classifications.

No.	Topic	Comments	Responses
Proposed Form 45-106F10 - Item 6: Size of Investment Fund			
18.	Net asset value (NAV) of investment fund	<p>Some commenters noted that the assets under management reported in 3 of the 4 reporting periods would not be an audited value and may put a filer offside the certification requirement under Item 18. One commenter noted that an investment fund would not be able to provide this information for the specific date required as per Proposed Form 45-106F10 as this information is generally only available on specific dates for record keeping or reporting purposes. Another commenter suggested that it would be more practicable to require investment funds to provide the size of the investment fund as at the date of their most recent NAV calculation rather than as at the date of the report.</p> <p>Two commenters questioned the utility of this information and how it relates to prospectus exemptions.</p>	<p>In addition to ensuring compliance with prospectus exemptions, the reports of exempt distribution are our primary sources of information of activity in the Canadian exempt market, which is necessary to support policy development.</p> <p>We have revised the Proposed Report to permit issuers to indicate the size of the investment fund based on the following ranges, as of the date of their most recent NAV calculation:</p> <ul style="list-style-type: none"> • under \$5 million • \$5 million to under \$25 million • \$25 million to under \$100 million • \$100 million to under \$500 million • \$500 million to under \$1billion • \$1billion or over
Proposed Form 45-106F10 - Item 7: IFM Information			
19.	Benefit of collecting information	<p>One commenter questioned the benefit of collecting this information where the IFM is registered as it duplicates information that is already required to be provided to the regulators.</p>	<p>The Proposed Report has been streamlined from the March 2014 Proposals in response to comments and retains this requirement when the IFM is not registered.</p> <p>While the March 2014 Proposals contemplated disclosure of the business email address of the IFM's CEO, the Proposed Report would require</p>

No.	Topic	Comments	Responses
			disclosure of the business email address of a person that could answer questions about the report. This change addresses the concern that the CEO may not have involvement with the distribution. In addition, we note that this particular information may not be ascertainable from prior registration.
Proposed Form 45-106F10 - Item 9: Principal Service Providers			
20.	Cost vs. benefit of information	Some commenters questioned the utility of this information in the context of a post-trade report, especially a foreign investment fund with limited connection to Canada. One commenter stated that the compliance burden on dealers, who would have to obtain this information from the investment fund, would greatly exceed any benefit to the CSA. This same commenter said that, at a minimum, this requirement should not apply where either the fund is formed outside of Canada or is a reporting issuer for reasons noted above.	We have removed this requirement in the Proposed Report.
Proposed Form 45-106F10 –Item 10: First Report			
21.	Limit requirement	<p>One commenter noted that an investment fund should only be required to indicate whether it is the first report of exempt distribution filed in Canada.</p> <p>Another commenter suggested this may discourage foreign issuers who had not previously reported (through inadvertence or misinformation about</p>	We have removed this requirement in the Proposed Report.

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		Canadian law) from selling into Canada and reporting under this report, on the basis that regulators are likely to ask why they have never filed before.	
Proposed Form 45-106F10 –Item 15 and Proposed Form 45-106F11 – Item 4.4.1: Aggregated Purchaser Information			
22.	Jurisdiction of distribution	<p>Two commenters encouraged the regulators to clarify in the instructions when there is a distribution in the local jurisdiction and accurately reflect the law in each jurisdiction as current guidance and instructions published by the CSA are confusing.</p> <p>One commenter suggested that the table should be completed “for each purchaser in the local jurisdiction, and each purchaser outside of the local jurisdiction where the distribution to that purchaser is a distribution in the local jurisdiction”, as the current drafting implies that a foreign issuer with no connection to Canada that distributes into Canada is required to identify each purchaser in every jurisdiction globally.</p> <p>The same commenter did not believe that a single Form 45-106F1 identifying all purchasers, including purchasers that do not reside in the jurisdiction, should be mandatory as issuers should not be required to disclose purchasers in one jurisdiction to a regulator in another jurisdiction. The filing of a single form should be optional.</p>	<p>The instructions to the Proposed Report provide greater detail regarding when there is a distribution in the local jurisdiction than was reflected in the February 2014 Proposals, the March 2014 Proposals or the current Form 45-106F1. However, it is important to refer to applicable securities legislation, securities directions and case law to determine whether a distribution has taken place in a local jurisdiction.</p> <p>We have considered the commenter’s suggestion and clarified that if the issuer is located outside of Canada, the Proposed Report only requires information about purchasers resident in Canada.</p> <p>However, consistent with CSA Staff Notice 45-308 <i>Guidance for Preparing and Filing Reports of Exempt Distribution under Regulation 45-106 respecting Prospectus Exemptions</i>, when distributions are made in more than one jurisdiction by a Canadian issuer, the issuer or underwriter must complete a single current Form 45-106F1 that identifies all purchasers, including</p>

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			<p>purchasers that reside in other jurisdictions. The issuer or underwriter must then file the report in each of the Canadian jurisdictions in which the distribution is made. Issuers located outside of Canada would be required to identify all purchasers resident in Canada and file the report in each Canadian jurisdiction where there is a distribution.</p> <p>Many jurisdictions currently use this information to understand how and where issuers in their jurisdiction are accessing capital and for compliance purposes.</p>
23.	Reporting of each Canadian and foreign jurisdiction where purchaser resides	Some commenters were of the view that requiring the reporting of all sales by an investment fund regardless of where the purchaser resides would result in the extra-territorial application of a local rule and provide a disincentive for foreign investors to acquire securities of Canadian investment funds.	<p>The instructions to the Proposed Report provide greater clarity regarding the law in each jurisdiction and the reporting requirements when there is a distribution in the local jurisdiction. The reporting of sales by an investment fund, regardless of where the purchaser resides, is the application of the local rule as a distribution may also occur in a particular jurisdiction if the issuer is located in or has a significant connection to the jurisdiction.</p> <p>As discussed above, if the issuer is located outside of Canada, the Proposed Report clarifies that only information about purchasers resident in Canada is required.</p>

No.	Topic	Comments	Responses
24.	Reporting of information relating to the total value of all redemptions	<p>Several commenters stated that information on redemptions requested in the first report of exempt distribution would be unduly burdensome and difficult to collect for any investment fund which has been in existence for several years, especially for foreign domiciled investment funds, which are required to report based on redemptions received world-wide. One commenter did not understand how this information would be of assistance or relevant to the CSA, or help in assessing the performance of an investment fund. This same commenter noted that this information is publicly available for reporting issuers.</p> <p>One commenter noted that the Proposed Form 45-106F10 is not clear as to whether redemption information is required only for the distributed securities which are the subject of the Proposed Form 45-106F10 or for all securities of the investment fund.</p>	<p>We have simplified this item in the Proposed Report by asking for the net proceeds (purchases minus redemptions) to the investment fund issuer by jurisdiction for the period reported.</p> <p>We note that the information from the Current Reports for investment fund issuers reflects purchases only and not redemptions of investment funds. As most investment funds offer some redemption rights, we believe the purchase information likely overstates the size of the market for investment fund issuers.</p> <p>The requirement to provide net proceeds would provide better information and further guide our evidence-based policy making.</p>
Proposed Form 45-106F10 – Instruction 8 and Proposed Form 45-106F11 – Instruction 9: Reference to Purchaser			
25.	Beneficial owners of fully managed accounts	<p>Three commenters noted that it would not be possible to obtain information regarding beneficial owners of fully managed accounts as the purchaser to which it is confirming the sale would be the discretionary manager, who is not required to identify the underlying beneficial owner of the account.</p>	<p>We note that references to a purchaser as being to the beneficial owner of the securities is an existing requirement in the Current Reports. The instructions in the March 2014 Proposals sought to provide further clarity and guidance as to specific instances where disclosure of the beneficial owner of the securities is required. We use this information in our oversight of</p>

No.	Topic	Comments	Responses
		<p>Two commenters suggested the instruction should read as follows: References to a purchaser in this report are to the beneficial owner of the securities. However, if a trust company or a registered advisor has purchased securities on behalf of a fully managed account under subsections 2.3(2) and (4) of Regulation 45-106, provide the information solely in respect of the trust company or registered advisor, as the case may be.</p>	<p>registered advisors and to assist with our compliance functions.</p>
Proposed Form 45-106F11 – Item 3.1: Name of issuer and parent			
26.	The name of the issuer’s parent, if applicable	<p>Two commenters expressed concern that if not disclosed in the offering memorandum, or if no offering memorandum was used, the preparer would have to seek out the issuer or an individual at the dealer who is sufficiently knowledgeable about the issuer to provide this information.</p>	<p>We have removed this requirement in the Proposed Report.</p>
Form 45-106F11 – Item 3.3.1: Size of issuer			
27.	Relevance and burden of providing approximate number of employees of the issuer	<p>Six commenters questioned the requirement to provide the approximate number of employees of the issuer for reasons including the following:</p> <ul style="list-style-type: none"> • The number of employees of an issuer has no bearing on the size or type of offering that it may undertake, the type of investors who may purchase the offered securities or on whether or not there is an available prospectus exemption to effect the distribution. • If not stated in the offering document, the 	<p>The Proposed Report retains this requirement with broader ranges to approximate the total number of employees of the issuer.</p> <p>We believe information about the approximate size of the issuer is important to our assessment of whether capital raising prospectus exemptions are benefiting small and medium sized issuers and may inform our policy development in this regard. We believe that ranges representing the</p>

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		<p>preparer would have to seek this information from the issuer, who may not be willing to provide it, or attempt to conduct research to obtain this information from a publicly available source which may not have reliable or current information.</p> <p>One of these commenters was also unclear as to whether this would require reporting the number of employees outside of Canada and employees of subsidiaries of the issuer. This commenter supported the removal of this requirement or, in the alternative, limiting the requirement to the number of employees in Canada excluding subsidiaries.</p>	<p>number of employees provide an appropriate metric for size because:</p> <ul style="list-style-type: none"> • the ranges selected are largely consistent with those used by Statistics Canada to represent distinctions between small, medium and large businesses and as such would already be familiar to some issuers, and • reporting such a range is likely less commercially sensitive than reporting the actual number of employees.
Proposed Form 45-106F11 – Item 3.3.4: Primary industry of the issuer			
28.	Definitions or guidance as to what is meant by industry categories	One commenter suggested that further guidance be provided regarding industry categories to avoid ambiguity and to assist with completing Form 45-106F11.	<p>We have proposed to change the categories of industries to align with the NAICS in order to gain a better understanding of which industries are raising money in the exempt market and to reduce the number of issuers that select the “other” category. NAICS is maintained in Canada by Statistics Canada.</p> <p>We believe NAICS would be familiar to many issuers and is less subjective to use. Statistics Canada also provides a web-based search tool for issuers to locate their relevant industry category. For more information on the NAICS, refer to the notice.</p>

No.	Topic	Comments	Responses
Proposed Form 45-106F11 – Item 3.3.5: Directors and executive officers, including title and jurisdiction of residence			
29.	Information required duplicates information provided by Canadian reporting issuers in other filings	Some commenters believed that the burden of providing this information exceeds the benefit of collecting it because it duplicates information provided by reporting issuers in other filings.	The Proposed Report would not require disclosure for directors, executive officers, control persons or promoters of reporting issuers or wholly owned subsidiaries of reporting issuers.
30.	For issuances of securities by foreign issuers, this disclosure requirement imposes an additional compliance burden	<p>Four commenters were of the view that this disclosure requirement imposes an additional compliance burden for issuances of securities of foreign issuers that would impact offerings extended to Canadian investors.</p> <p>Examples of concerns raised include the following:</p> <ul style="list-style-type: none"> • The information about directors, officers, control persons and promoters may or may not be publicly available and issuers may be unwilling to provide it, particularly in circumstances where the information is not required to be publicly disclosed in their home jurisdictions. • A foreign issuer may require advice from Canadian counsel in order to determine who in their organization is an “executive officer” and who is an “insider” or a “promoter” of their organization under Canadian law, as those concepts may not be recognized under their local law. Even if Canadian legal advice is received, they might not have the internal means to 	<p>The Proposed Report would not require disclosure for directors, executive officers, control persons or promoters of foreign public issuers, wholly owned subsidiaries of foreign public issuers or issuers distributing eligible foreign securities only to permitted clients.</p> <p>We believe this information is important for other foreign issuers to assist in our compliance function and in our understanding of the participants in exempt market activity in Canada. We note that this disclosure requirement applies under Form 45-106F6.</p>

No.	Topic	Comments	Responses
		<p>determine who falls into the relevant categories without expending resources as this information may not be readily available.</p> <ul style="list-style-type: none"> The identification of executive officers, as defined in Regulation 45-106, would be unnecessarily burdensome especially for large foreign issuers with numerous officers and directors. 	
31.	Difficulty in obtaining this information	Two commenters expressed general concern that it is unlikely that this information would appear in an offering document or be readily available to the dealer. In addition, the issuer might be unwilling or unable to provide this information.	See responses 29 and 30 above.
32.	Alternative approach for requiring information	Two commenters suggested that the requirement to provide director and executive officer information should not apply where (a) the entity is formed outside of Canada, or (b) the entity is a reporting issuer in Canada as this information may not be required to be provided in foreign jurisdictions and is made publicly available by reporting issuers. In the alternative, this commenter proposed an exemption from the requirement to provide this information if all of the purchasers in Canada are accredited investors.	<p>The Proposed Report contemplates that the following issuers would not be required to provide disclosure regarding directors and executive officers:</p> <ul style="list-style-type: none"> reporting issuers and their wholly owned subsidiaries, foreign public issuers and their wholly owned subsidiaries, and issuers distributing eligible foreign securities only to permitted clients.

No.	Topic	Comments	Responses
Proposed Form 45-106F11 – Item 4.3: Documents provided in connection with the distribution – presentations or other marketing materials			
33.	Requirement would be novel and goes beyond what is required in the United States or any other jurisdiction	<p>Five commenters expressed concern regarding the filing of all marketing materials by foreign issuers if not required in other jurisdictions and the impact this would have on foreign issuers extending offerings into the Canadian market.</p> <p>Examples of specific concerns provided include:</p> <ul style="list-style-type: none"> • In nearly all United States registered or Rule 144A offerings, road show communications (including slides or other visual aids available only as part of that road show) are not required to be filed with the Securities and Exchange Commission or any other regulatory body in the United States. Foreign issuers and dealers will no longer extend offerings (including those which are conducted primarily in the United States) into Canada on a private placement basis if they are required to provide this information, particularly when no similar requirement exists in the United States. • The proposed requirement in connection with a private placement is broader than the requirement to file "marketing materials" in connection with an IPO or other long-form prospectus offering in Canada. Specifically, Section 13.12(1)(a) of <i>Regulation 41-101 respecting General Prospectus Requirements</i> provides an exemption from the requirement to file marketing materials in connection with a 	<p>Neither the March 2014 Proposals nor the Proposed Amendments would necessitate the filing or delivery of marketing materials for offerings that are open only to institutional investors or other accredited investors, which typically rely on the accredited investor prospectus exemption. While the March 2014 Proposals contemplated the submission of marketing materials in connection with distributions under certain prospectus exemptions that would be available to retail investors, this proposal did not extend to marketing materials provided in connection with the accredited investor prospectus exemption.</p> <p>Rather than imposing new requirements to file or deliver marketing materials, the Proposed Report contemplates reporting that such materials have been filed or delivered only where otherwise required by applicable securities legislation of a local jurisdiction. The proposals regarding marketing materials in the March 2014 Proposals remain under consideration as part of a separate CSA initiative.</p>

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		<p>"U.S. cross-border offering" where, among other things, there is a reasonable expectation that the securities will be sold primarily in the United States. It is unclear why the CSA is proposing a more stringent requirement in connection with private placements, which are limited to Canada's most sophisticated investors, than would be required in connection with a United States cross-border public offering, which may be sold to retail investors in Canada.</p> <p>One of the above commenters also questioned the public interest purpose for filing with Canadian regulators marketing materials that are prepared solely for institutional investors who are able to assess and conduct their own due diligence to protect the interests of their investors and/or stakeholders.</p> <p>Other commenters recommended exemptions from this requirement in certain circumstances such as cross-border exempt distributions to permitted clients, or if purchasers in Canada are accredited investors or in the alternative permitted clients.</p>	
34.	Difficulty in identifying which marketing documents have been delivered to investors	Some commenters believed that it may be difficult to identify what documents have been delivered to particular investors in specific provinces after the completion of an offering. One commenter noted this would be a specific concern in a global transaction.	<p>We expect issuers to keep track of the marketing materials that they provide to investors.</p> <p>There are separate proposals under consideration by some CSA jurisdictions to require that any marketing materials used in the context of the</p>

No.	Topic	Comments	Responses
			<p>offering memorandum prospectus exemption be incorporated by reference into the offering memorandum and be filed or delivered with the securities regulatory authorities of certain jurisdictions. Requirements to deliver marketing materials have been proposed in connection with the crowdfunding exemption in proposed <i>Regulation 45-108 respecting Crowdfunding</i>. Filing or delivery of marketing materials is an important investor protection mechanism in the context of exemptions that are available to issuers distributing to retail investors.</p>
35.	Format of marketing materials may not permit reproduction	One commenter noted that investor presentation materials are often made available by way of the internet, on a basis that does not permit the viewer to download, record or print the contents.	The proposals regarding marketing materials that were published for comment on March 20, 2014 remain under consideration as part of a separate CSA initiative.
36.	Filed vs. delivered marketing materials	One commenter noted that subsection 2.9(17.2) of proposed amendments to Regulation 45-106 that were published in the March 2014 Proposals refers to the delivery of offering memorandum marketing materials and not the filing of such materials, and suggested Form 45-106F11 be amended to reflect the requirements of the proposed amendments to Regulation 45-106.	<p>The proposals regarding the filing or delivery of marketing materials under the offering memorandum prospectus exemption in certain jurisdictions that were published for comment on March 20, 2014 remain under consideration as part of a separate CSA initiative.</p> <p>In Saskatchewan, Ontario, Québec, New Brunswick and Nova Scotia, the Proposed Amendments would require issuers or underwriters to list and provide certain details regarding any marketing materials that are</p>

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			required to be filed with or delivered to the securities regulatory authority or regulator under applicable securities legislation.
Proposed Form 45-106F10 and Proposed Form 45-106F11 - Schedule 1			
37.	Public funds not required to report purchaser information	<p>Some commenters noted that public funds generally do not report information about purchasers to the regulators, and question why investment funds distributing in the exempt market should be required to do so.</p> <p>One commenter believed that the proposed requirement to provide more detailed purchaser information is irrelevant to the accredited investor criteria (i.e. age range, location of foreign purchasers, personal e-mail addresses).</p> <p>Several commenters noted the additional administrative burden to be placed on issuers by requiring them to collect the additional information from each purchaser.</p> <p>A few commenters noted some purchaser information is not necessarily made available to issuers, such as individual email addresses or telephone numbers.</p>	<p>Purchaser information is required to be provided to the regulators as this information is used by regulators to monitor compliance with available exemptions. The reporting requirement applies to any issuer relying on certain exemptions, whether the issuer is a reporting issuer or not.</p> <p>While we acknowledge that the original purpose of the reports was to monitor compliance, they are also the CSA's primary source of information on the exempt market. The proposed changes to reporting would improve information collection and help support the evidence-based policy-making desired by stakeholders.</p> <p>Based on feedback from commenters, we have removed the requirement to provide certain purchaser information in the Proposed Report, such as a purchaser's age range and information on foreign purchasers if the issuer is located outside of Canada.</p>
38.	Concerns regarding additional information relating	Several commenters questioned the instructions to this requirement since collecting all paragraphs under which the purchaser could qualify, for	We believe how a purchaser specifically qualifies as an accredited investor is critical to our compliance function and understanding of

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	to applicable paragraphs of the accredited investor prospectus exemption	<p>example as an accredited investor, is unnecessary and administratively burdensome. For example, in the context of institutional investors, the requirement to list all applicable paragraphs of the accredited investor prospectus exemption is inconsistent with industry practice and other regulatory standards.</p> <p>Some commenters submitted that, for sales to institutional investors, it is reasonable to rely on a representation from the prospective purchaser that it is eligible to purchase the securities in reliance on the applicable prospectus exemption as the CSA accepted this reasoning in granting the wrapper relief and allowed the named dealers to distribute foreign securities to "permitted clients" on the basis of these representations.</p> <p>One commenter noted that in addition to the dealer being unlikely willing or able to obtain information about all the potential subcategories under which an investor may qualify, the dealer is also unlikely to be willing or able to maintain databases or other information systems to keep track of this information comprehensively for all of its Canadian clients. One IFM also noted that existing systems and processes at investment managers will need to be substantially overhauled in order to continually assess and record all of the various bases upon which each client could qualify.</p>	<p>exempt market activity. We do not believe this information is unduly burdensome to the issuer, underwriter or the purchaser as the determination must be made in order to rely on the exemption.</p> <p>The Proposed Report clarifies that the issuer or underwriter need only identify one category of accredited investor that applies to the purchaser. The issuer or underwriter is not required to list all paragraphs that may apply.</p>

No.	Topic	Comments	Responses
		<p>As an alternative, it was suggested that this requirement not apply where (a) the investor is not an individual, or (b) the investor is an individual who is a “permitted client” as defined in Regulation 31-103, as these investors will qualify under multiple criteria as “accredited investors” as defined in Regulation 45-106.</p>	
39.	Purchaser’s age range (for individual purchasers)	<p>Several commenters noted that the reporting of this information is irrelevant for the purposes of determining whether the securities in question have been validly distributed pursuant to securities legislation, and unreasonable to obtain. One commenter noted that this information should be justified on a cost/benefit basis, as purchasers may raise objections, which could impair sales of the investment fund.</p> <p>One commenter was of the view that there is no reason to believe that the dealer would be aware of this information with respect to its individual clients, and it is not reasonable to expect that the dealer would obtain and retain this information for each of its individual clients.</p> <p>Another commenter was of the view that such information would typically be available to registrants who are required to have complete know your client information, but not necessarily collected in the ordinary course by issuers, particularly non-resident issuers.</p>	<p>We have reconsidered this requirement based on the comments received.</p> <p>The Proposed Report does not include a requirement to provide a purchaser’s age.</p>

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Other comments			
40.	Tiered approach for exempt market trade reporting	<p>A few commenters suggested that a tiered approach be used for exempt trade reporting, where simplified reporting is available when securities are distributed to larger institutional investors or other sophisticated investors for the following reasons:</p> <ul style="list-style-type: none"> • The CSA can collect more information about the segments of the exempt market which are most susceptible to abuse, while at the same time avoiding placing new obstacles in the way of sophisticated Canadian investors seeking access to alternative investment opportunities. • Large institutional investors or other sophisticated investors are less in need of regulatory protections, and would likely be willing to forego the benefit of certain protections in order to have the benefit of continuing to be able to acquire foreign issuer securities for their investment portfolios on a private placement basis. <p>Two of these commenters also suggested that Proposed Form 45-106F10 and Proposed Form 45-106F11 only be used when an issuer relies upon one of the new prospectus exemptions.</p>	<p>As the information collected on the reports of exempt distribution would inform compliance, assist in our regulatory oversight function, and better inform policy development, we do not believe a tiered approach for exempt trade reporting is appropriate.</p> <p>However, the Proposed Report has been streamlined as compared to the March 2014 Proposals, for example, by allowing use of an issuer’s SEDAR filer profile number or firm’s NRD number. The Proposed Report also includes a proposed carve-out from providing information regarding an issuer’s directors, executive officers, control persons and promoters for:</p> <ul style="list-style-type: none"> • reporting issuers and their wholly owned subsidiaries, • foreign public issuers and their wholly owned subsidiaries, • issuers distributing eligible foreign securities only to permitted clients, and • investment fund issuers.

No.	Topic	Comments	Responses
41.	Alternatives to proposed report for investment funds	<p>Some commenters recommended that regulators consider other ways to obtain targeted information, for example, by one-off requests or conducting a survey of a sample of select IFMs, the results of which would dictate whether or not more frequent data from the Proposed Report is required in order to ease the burden on registrants and regulators.</p> <p>As the stated benefit is “more timely and better data” for regulatory authorities and more meaningful information for monitoring market activity, one commenter suggested that we require quarterly reporting from only large investment funds (i.e. funds with AUM in excess of \$1bn CDN).</p>	<p>We have determined not to change the frequency of reporting for investment funds at this time. Investment funds still have the option to file once a year.</p>
42.	Privacy/freedom of information concerns	<p>Some commenters raised privacy concerns with the Proposed Form 45-106F10 and Proposed Form 45-106F11 as freedom of information legislation may require a regulator to make the information available, which raises concerns given the sensitive information that is required to be disclosed. Investor names, addresses, email addresses, phone numbers and age ranges were provided as specific examples of such information.</p> <p>One of these commenters believed that the additional information required to better understand the profile of issuers and investors in the exempt market should be balanced with privacy requirements on behalf of individual investors as well as in recognition of the fact that private issuers</p>	<p>We acknowledge these comments. We note that Schedule 1 and Schedule 2 of the Proposed Report contemplate collecting certain personal information regarding purchasers, as well as directors, executive officers, control persons and promoters in a non-public format. While aspects of this information may be subject to freedom of information requests, such requests would be subject to the protective mechanisms, including the exemption protecting personal privacy, of applicable freedom of information and privacy legislation.</p>

No.	Topic	Comments	Responses
		<p>might not otherwise be required to provide certain information to the regulators.</p> <p>Another commenter noted seeing investor documentation of US and other issuers limiting the availability of certain sensitive information to their investors if that information may have to be filed with a regulator in a jurisdiction that has freedom of information legislation.</p> <p>One commenter also noted that there is an increased risk in privacy violation as a result of information being electronically filed and stored due to data theft.</p>	
43.	Additional information re: certain registrants who provide advice to retail investors	One commenter suggested that information be collected on the use of certain registrants (i.e. “eligible advisor” under Regulation 45-106) who provide advice to retail investors in order to obtain correlation data between types of registrants and investor losses and unsuitable advice.	Schedule 2 of the Proposed Report has been revised to require the name of the registrant involved with the purchaser under the reported distribution.
44.	Identify angel investors	One commenter suggested the reports of exempt distribution capture whether or not an investor would classify themselves as an angel investor as statistics to date about the follow-on investment rate of angel-involved companies indicate that angel investors are one of the best economic drivers of job creation in the country with the least amount of government subsidy. Having better statistics to	The Proposed Report does not require the filer to identify investors as an “angel investor”. Although we agree that this would be useful information, this term is not defined in securities legislation.

No.	Topic	Comments	Responses
		<p>follow the activities would be invaluable to all levels of government.</p>	
45.	Method to file reports of exempt distribution	<p>Several commenters noted that there is disharmony in how the reports of exempt distribution are required to be filed – in Ontario the report will be an e-form; whereas, in Alberta, New Brunswick and Saskatchewan, the report will be in paper form.</p> <p>One commenter encouraged all CSA jurisdictions to implement any necessary technological changes in order to obtain the information electronically.</p> <p>Some commenters believed that jurisdictions that are not currently set up to receive electronic filings should be required to accept a paper print-out of the "as-filed" electronic form submitted in the jurisdiction that requires electronic filing. For example, if a distribution occurs in Ontario, Manitoba and Québec, Manitoba and Québec should be required to accept a print-out of the electronic form filed in Ontario.</p>	<p>Members of the CSA other than British Columbia and Ontario have proposed to require issuers to file reports of exempt distribution on SEDAR. See Multilateral CSA Notice Request for Comment for Draft <i>Regulation to amend Regulation 13-101 respecting System for Electronic Document, Analysis and Retrieval</i> and Draft <i>Regulation to amend Regulation 13-102 respecting System Fees for SEDAR and NRD</i> published on June 30, 2015. British Columbia and Ontario currently have electronic filing systems for the submission of the Current Reports.</p> <p>For a cross-country distribution, we anticipate that an issuer or underwriter would be able to file the Proposed Report by completing the OSC's electronic form and subsequently filing an electronic copy of the report generated by the OSC's system on BCSC eServices and SEDAR. Furthermore, an issuer or underwriter that prepares a report for filing on SEDAR would be able to file that same report on BCSC eServices and vice versa.</p>

No.	Topic	Comments	Responses
46.	Electronic format of reports of exempt distribution	<p>Several commenters suggested that the reports of exempt distribution be delivered in a “flat” data file and electronically uploaded in order to ease the administrative burden, as it is quicker to upload a data file than to fill in fields on an electronic form.</p> <p>One commenter suggested that all CSA jurisdictions adopt an MS Excel format that can be electronically filed and accessible by all regulators for analysis.</p> <p>Several commenters noted that the Ontario e-form does not work with a variety of browsers (i.e. IE v.11, Google Chrome, Apple Safari), which represents a substantial proportion of installed web browsers. These same commenters recommended that we consider the use of these superior browsers as compatible alternatives to those currently available on the web portal.</p>	<p>The Proposed Report would be in a format that allows market participants to easily access and file such reports with the appropriate regulatory authorities.</p> <p>IT systems have been updated, and are continually monitored, to ensure that e-forms work with a variety of browsers in the marketplace.</p> <p>We note that different browser and security settings as well as monthly updates could impact the behaviour of the e-forms.</p>
47.	Public availability of information	<p>Several commenters had concerns around how issuers and the public could potentially access the additional information from the reports of exempt distribution without any centralized CSA database.</p> <p>One commenter also suggested a summary of the information (keeping specific details in confidence as proposed) be made available to industry participants via the OSC Bulletin.</p>	<p>A centralized CSA database is outside the scope of this project but is being considered as part of a broader longer term CSA national system initiative.</p> <p>Currently, there is a separate initiative in applicable jurisdictions to make the reports of exempt distribution publically available on SEDAR when a distribution occurs in these jurisdictions. In British Columbia, reports of exempt distribution can be found on the BCSC’s website http://www.bpsc.bc.ca/. In Ontario, it is</p>

No.	Topic	Comments	Responses
			<p>anticipated that information regarding exempt market activity would be available electronically on the OSC's website. As noted in the Proposed Report, Schedule 1 and Schedule 2 would not be placed on the public file of any securities regulatory authority or regulator.</p>

Annex D
Summary of Notable Differences between the March 2014 Proposals and the Proposed Report

The March 2014 Proposals published for comment two new proposed forms of exempt distribution – Proposed Form 45-106F10 for investment funds and Proposed Form 45-106F11 for issuers other than investment funds. In an effort to simplify and streamline the exempt market reporting regime for market participants, we have created one form for all issuers.

In the interests of harmonization across the CSA and in order to respond to comments received on the March 2014 Proposals, we propose a number of changes to the Proposed Reports. Below is a summary of notable differences between the March 2014 Proposals and the Proposed Report.

A. Removal of Certain Information Requirements

There were a number of information requirements that were published for comment in the March 2014 Proposals that are not reflected in the Proposed Report. As compared to Proposed Form 45-106F11, the Proposed Report does not require disclosure of the following information:

- age range of purchasers,
- full legal name of the parent of the issuer,
- business email address of the underwriter's chief executive officer, and
- business email address of the issuer's chief executive officer for reporting issuers, wholly-owned subsidiaries of reporting issuers, foreign public issuers, wholly-owned subsidiaries of foreign public issuers or issuers distributing eligible foreign securities only to permitted clients.

In addition, the Proposed Report removes the requirement to provide certain information that can be accessed through a SEDAR filer profile or firm NRD profile and provides for other exclusions for certain issuers as discussed in section C below.

B. Additional Information Requirements

In addition to the information requirements contemplated in the March 2014 Proposals, the Proposed Report requires that an issuer provide the following information, for the reasons outlined in the Framework of the Proposed Report in the body of this notice:

- firm NRD number for the underwriter,
- SEDAR profile number, legal entity identifier and CUSIP number if the issuer has such identifiers,
- asset size for issuers that do not provide a SEDAR profile number,
- currency conversion, and
- insider status of purchaser.

C. Directors, Executive Officers, Control Persons and Promoters

Proposed Form 45-106F11 contemplated that issuers would disclose information regarding the directors, executive officers, control persons and promoters of issuers. The Proposed Report

requires issuers to provide the following additional information regarding these individuals, consistent with the current requirements of Form 45-106F6:

- number of voting securities of the issuer beneficially owned or, directly or indirectly, controlled on the distribution date, including any securities purchased under the distribution,
- total price paid for the above, and
- information about the directors and executive officers of corporate control persons and promoters.

In addition, residential addresses of these persons would be collected in a non-public schedule.

As a result of comments received regarding the March 2014 Proposals, we have excluded certain issuers from the requirement to provide this information. We do not believe that it is necessary for issuers to provide this information if the information is already publicly available for the issuer or its parent, or if the distribution is of an eligible foreign security only to permitted clients. Since the March 2014 Proposals, we have excluded the following issuers from the requirement to provide this information:

- a reporting issuer or a wholly-owned subsidiary of a reporting issuer,
- a foreign public issuer or a wholly-owned subsidiary of a foreign public issuer, and
- an issuer distributing eligible foreign securities only to permitted clients.

D. Industry Classification

Like the Proposed Report, the March 2014 Proposals required the filer to select the primary industry of the issuer. However, the industry classifications in the Proposed Report have been revised to conform to the NAICS. This change aligns the industry classifications to a global standard that may already be familiar to issuers. The Proposed Report also requires the stage of development or type of business operations if the issuer is in the mining industry or if the issuer is involved in certain investment activities.

E. Number of Employees

Consistent with the March 2014 Proposals, the Proposed Report requires issuers, other than investment funds, to select a range to approximate the number of employees of the issuer. It also allows other issuers to select from broader employee ranges that are largely consistent with those used by Statistics Canada to represent distinctions between small, medium and large businesses which may be familiar to some issuers.

F. Types of Securities Distributed

The March 2014 Proposals required information regarding the types of securities distributed and contemplated the following broad categories of securities (i) equity and other securities, (ii) debt, and (iii) derivatives. The Proposed Report allows for information to be collected in more specific categories to improve consistency.

G. Connection between Purchaser and Person Compensated

In the March 2014 Proposals, Schedule 1 of Proposed Form 45-106F10 and Schedule 1 of Proposed Form 45-106F11 contemplated the provision of purchaser information. In addition to the information requirements set out in the March 2014 Proposals, the Proposed Report requires disclosure regarding persons compensated in relation to each purchaser. We expect that this information would be helpful for the compliance programs of securities regulators in each local jurisdiction.

H. Form Instructions

In addition to changes noted above, the instructions for the Proposed Report have been revised to provide increased clarity regarding the information requirements. In particular, we have provided further instructions for requirements related to:

- filing instructions including for distributions made in more than one jurisdiction,
- payment of filing fees,
- jurisdiction of distribution,
- multiple distributions,
- references to purchaser,
- mortgage investment entities,
- currency of distribution,
- compensation and relationship to the issuer,
- identification of security type,
- stock exchange listings, and
- how to report distributions of issuers located outside Canada.

I. Filing Requirements for Investment Funds

In the March 2014 Proposals, we had proposed to increase the frequency of the investment fund filings¹ from annually to quarterly. After reviewing the comments from market participants, we have determined not to change the frequency of reporting at this time. However, we are proposing to require reporting based on a calendar year. This change would improve the comparability of the information collected. We are proposing a transition period for this change.

J. Other Investment Fund Related Changes

The following is a list of specific changes for investment fund issuers between the March 2014 Proposals and the Proposed Report.

We have removed the following items, as found in Form 45-106F10, from the Proposed Report:

- Item 1 [*Party Completing the Report*] - the requirement to provide the FundSERV Code,

¹ For distributions under certain prospectus exemptions (including the accredited investor prospectus exemption and minimum amount investment prospectus exemption), investment funds currently have the option to report annually within 30 days after their financial year-end instead of within 10 days after a distribution.

- Item 3 [*Structure of the Investment Fund*],
- Item 4 [*Directors and Executive Officers of the Investment Fund*],
- Item 8 [*Directors and Executive Officers of the Investment Fund Manager*],
- Item 9 [*Principal Service Providers*],
- Item 10 [*First Report*], and
- Schedule I to Form 45-106F10 – Age Range of Purchasers.

We have modified the following items, as found in Form 45-106F10, in the Proposed Report:

- Item 5 [*Type of Investment Fund*] – We revised this item to indicate whether the issuer is a (i) equity fund; (ii) fixed income fund; (iii) balanced fund; (iv) money market fund; (v) alternative strategy fund; or (vi) other investment fund. In addition, we would seek information on whether the investment fund utilizes a fund-of-fund structure, and for foreign investment fund issuers, whether they are a UCITs fund.
- Item 6 [*Size of the Investment Fund*] – We removed the requirement to indicate the exact size of the investment fund (**NAV**) as of the date of the report and would permit issuers to indicate the size based on the following ranges as of the date of the most recent NAV calculation: (i) under \$5 million; (ii) \$5 million to under \$25 million; (iii) \$25 million to under \$100 million; (iv) \$100 million to under \$500 million; (v) \$500 million to under \$1 billion; and (vi) over \$1 billion.
- Item 15 [*Aggregate Purchaser Information*] – We replaced the requirement to provide the total dollar value of redemptions since last report filed with the net proceeds to the investment fund.