AMENDMENTS TO *POLICY STATEMENT 62-203 RESPECTING TAKE-OVER BIDS AND ISSUER BIDS*

1. *Policy Statement 62-203 respecting Take-Over Bids and Issuer Bids* is amended by adding, after Part 2, the following:

"**PART 3 REPORTS AND ANNOUNCEMENT OF ACQUISITIONS**

"**3.1. Equity equivalent derivative**

The definition of "equity equivalent derivative" is intended to refer to an equity total return swap or substantially similar derivative which is referenced to or derived from a voting or equity security of an issuer, with an economic interest that is substantially equivalent to the economic interest associated with beneficial ownership of the security. Where an investor acquires an equity equivalent derivative, the investor would be required to include the securities referenced by the derivative when determining whether the investor has a disclosure obligation.

We would generally consider a derivative to substantially replicate the economic consequences of ownership of a specified number of reference securities if a dealer or other market participant that took a short position on the derivative could substantially hedge its obligations under the derivative by holding 90% or more of the specified number of reference securities.

An equity equivalent derivative would generally include only a cash-settled equity total return swap or substantially similar derivative. However, an equity equivalent derivative would not include partial-exposure derivatives. Partial-exposure derivatives include cash-settled call options which only have upside exposure.

We remind market participants that the securities regulatory authorities retain public interest jurisdiction to respond to activities involving partial-exposure instruments that may be considered abusive.

"**3.2. Securities lending arrangements**

Securities lending describes the market practice whereby securities are temporarily transferred from one party (the lender) to another party (the borrower) in return for a fee. As part of the lending agreement, the borrower is obliged to redeliver to the lender securities that are identical to the securities transferred or lent, either on demand or at the end of the loan term.

Securities lending arrangements transfer title of securities from the lender to the borrower for the duration of the loan. During this period, the borrower has full ownership rights and may re-sell the securities as well as vote them. Securities lending agreements between the lender and the borrower generally provide for payment to the lender of any economic benefits (for example, dividends) accruing to the securities while "on loan". Therefore, securities lending separates the economic interest in the securities which remains with the lender from the ownership and voting rights which are transferred to the borrower. If the lender wants to vote the loaned securities, it may have the right to recall equivalent securities from the borrower but will not be entitled to vote such securities unless and until they are recalled.

Accordingly, in securities lending arrangements, the lender disposes of its securities and the borrower acquires the securities for the duration of the loan. Consequently, the lender and the borrower should consider securities sold (lent) and acquired (borrowed) under securities lending arrangements in determining whether an early warning reporting obligation has been triggered.

Section 5.5 of the Regulation and section 7.3 of the Ontario Rule exempt the lender of securities under a securities lending arrangement from the early warning requirements if the securities are transferred or lent in a securities lending arrangement that meets the criteria of a specified securities lending arrangement. If the securities lending arrangement is not a specified securities lending arrangement then the early warning reporting requirements for dispositions of securities will apply to the disposition of securities by the lender under the securities lending arrangement.

The borrower will in all cases be subject to the requirements in Part 5 of the Regulation and section 102.1of the Ontario Act and Part 7 of the Ontario Rule, including if the securities are acquired by the borrower pursuant to a specified securities lending arrangement.”.