

**CSA Notice of**  
**Amendments to National Instrument 45-102 *Resale of Securities***  
***Changes to Companion Policy 45-102CP to National Instrument***  
***45-102 Resale of Securities***

**Consequential Amendments to National Instrument 31-103**  
***Registration Requirements, Exemptions and Ongoing Registrant***  
***Obligations***

**and**

**Consequential Changes to National Policy 11-206 *Process for Cease***  
***to be a Reporting Issuer Applications***

**March 29, 2018**

**Introduction**

The Canadian Securities Administrators (the CSA or we) are adopting amendments to National Instrument 45-102 *Resale of Securities* (NI 45-102) and changes to Companion Policy 45-102CP to National Instrument 45-102 *Resale of Securities* (45-102CP) (collectively, the amendments).

We are also adopting consequential amendments to National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (NI 31-103) and consequential changes to National Policy 11-206 *Process for Cease to be a Reporting Issuer Applications* (NP 11-206).

Staff of the Alberta Securities Commission has not yet sought approval of the amendments or consequential amendments but intend to do so in April 2018.

Provided all necessary regulatory and ministerial approvals are obtained, these will come into force on June 12, 2018.

The text of the amendments and consequential amendments and changes is contained in Annexes C through F of this notice and will also be available on websites of CSA jurisdictions, including:

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

### **Substance and Purpose**

The amendments introduce a new prospectus exemption in section 2.15 of NI 45-102 (section 2.15) for the resale of securities (and underlying securities) of a foreign issuer that applies in all jurisdictions other than Alberta and Ontario if

- the issuer is not a reporting issuer in any jurisdiction of Canada, and
- the resale is on an exchange, or a market, outside of Canada or to a person or company outside of Canada.

A foreign issuer is an issuer that is not incorporated or organized under the laws in Canada unless certain circumstances suggest that the issuer has more than a minimal connection to Canada (i.e., the issuer has a head office in Canada or the majority of its directors or executive officers ordinarily reside in Canada).

Section 2.15 addresses feedback we received that the ownership conditions in section 2.14 of NI 45-102 (section 2.14) may have become an impediment to participation by certain market participants in prospectus-exempt offerings by foreign issuers.

We have prioritized the amendments in response to this feedback and in response to the number of applications for exemptive relief we received in connection with section 2.14. We are continuing our review of the resale regime in NI 45-102 in its entirety to determine whether the existing regime continues to be relevant in today's markets and to assess the impact of alternative regulatory approaches.

In Alberta and Ontario, the new exemption in section 2.15 and the existing exemption in section 2.14 will be located in the following local instruments:

- in Alberta, Alberta Securities Commission Blanket Order 45-519 *Prospectus Exemptions for Resale Outside Canada* (ASC Blanket Order 45-519);
- in Ontario, Ontario Securities Commission Rule 72-503 *Distributions Outside Canada* (OSC Rule 72-503).

In Ontario, this provides overall consistency to their approach to cross-border trading for both primary distributions outside Canada and the resale of securities outside Canada. In Alberta, this is a step towards providing overall consistency in their contemplated approach to cross-border trading for both primary distributions outside Canada and the resale of securities outside Canada.

For the purposes of this notice, discussions on sections 2.14 and 2.15 also apply to the similar exemptions in Alberta and Ontario, unless the context requires otherwise.

## **Background**

Section 2.14 provides a prospectus exemption for the resale of securities (and underlying securities) where the issuer is not a reporting issuer in any jurisdiction of Canada provided that

- the resale is on an exchange, or a market, outside of Canada or to a person or company outside of Canada, and
- residents of Canada own not more than 10% of the outstanding securities of the issuer and represent not more than 10% of the total number of security holders (the ownership conditions).

The policy rationale for section 2.14 is that it is not necessary to restrict the resale of securities over a foreign market or to a person or company outside Canada if the issuer has a minimal connection to Canada and there is little or no likelihood of a market for the securities to develop in Canada. The purpose of the ownership conditions is to measure whether the issuer has a minimal connection to Canada.

Since the adoption of NI 45-102, there have been a number of changes to securities regulation and information accessibility, and a greater access to securities markets worldwide. Canadian investors, particularly institutional investors, are increasingly acquiring securities of foreign issuers to participate in global market growth by investing in a more diversified global portfolio. Foreign securities are acquired either through private placements or on foreign exchanges.

We recognize that many foreign issuers, without any other connection to Canada, are finding they have exceeded the ownership conditions, including through Canadians purchasing their securities on foreign markets. As a result, Canadian security holders of these foreign issuers would have to hold the securities for an indefinite period. In some cases, foreign issuers decide not to offer their securities in Canada to avoid the work necessary to determine if the ownership conditions will be met and thereby reduce opportunities for Canadian investors to participate in private placements with foreign issuers.

Consequently, we determined that an alternative to the ownership condition is warranted for assessing whether an issuer has a minimal connection to Canada.

Section 2.15 provides this alternative. A security holder is exempted from the prospectus requirement for the resale of securities acquired under a prospectus exemption if the resale is on an exchange, or a market, outside of Canada or to a person or company outside of Canada and if the issuer of the securities is a foreign issuer. A foreign issuer is an issuer that is not incorporated

or organized under the laws of Canada, or a jurisdiction of Canada, unless one of the following applies:

- the issuer has its head office in Canada;
- the majority of the executive officers or directors of the issuer ordinarily reside in Canada.

The policy rationale for section 2.15 is consistent with the policy rationale for section 2.14 – to provide an exemption for resales outside of Canada for the securities of an issuer with a minimal connection to Canada.

### **Summary of Written Comments Received by the CSA**

We published for comment the proposed amendments on June 29, 2017. During the comment period that expired on September 27, 2017, we received submissions from 8 commenters. We considered the comments received and thank all of the commenters for their input. The names of commenters are contained in Annex A of this notice and a summary of their comments, together with our responses, are contained in Annex B of this notice.

### **Summary of Changes**

After considering the comments received, we made the following changes:

#### *1. Section 2.14*

We retained section 2.14. It continues to provide a limited exemption for those non-reporting Canadian issuers that have a minimal connection to Canada based on the ownership conditions.

To avoid confusion, we renumbered proposed section 2.14.1 to section 2.15.

#### *2. Definition of foreign issuer*

We made the following changes to the definition of foreign issuer:

- (a) We removed the consolidated asset component of the definition. We believe that the revised definition appropriately reflects whether an issuer has a minimal connection to Canada.
- (b) We added guidance in 45-102CP with respect to the interpretation of director and executive officer in the definition of foreign issuer. In particular, the guidance explains the meaning of director and executive officer in the context of non-corporate issuers including limited partnerships and clarifies what is meant by “ordinarily reside”.

3. *Definition of executive officer*

We revised the definition of executive officer to remove the reference to individuals who have a “policy-making function” because it may be difficult for security holders to determine which individuals perform that function. In line with our objective to simplify an investor’s possible determination of who the executive officers are, we also limited the definition to those individuals in charge of a principal business unit, division or function including sales, finance or production as disclosed in the issuer’s offering document or most recent public disclosure document containing that information.

Security holders can make the determination of whether the issuer is a foreign issuer by using the information available in the offering document or the most recent disclosure document containing that information unless the security holder has reason to believe that the information is not accurate.

4. *No unusual effort condition to the exemption*

We removed the “no unusual efforts” condition.

We are of the view that the condition is not necessary. A selling security holder who wishes to rely on the exemption must comply with the conditions of the exemption. One of the conditions is that the trade is made through an exchange or a market outside of Canada, or to a person or company outside of Canada. As a result, any selling security holder engaged in activities to sell or create a demand for the security in Canada would not be able to rely on the exemptions in sections 2.14 and 2.15.

### **Consequential Amendments**

We are adopting a consequential amendment to section 8.16 of NI 31-103 and a consequential change to section 14 of NP 11-206 to include reference to both section 2.14 and new section 2.15 as well as ASC Blanket Order 45-519 and the similar sections of OSC Rule 72-503. We also made a further change to section 14 of NP 11-206 to remove the obligation to ascertain the number of Canadian security holders.

### **Local Matters**

Annex G to this notice outlines the consequential amendments to local securities legislation and includes additional text, as required, to respond to local matters in a local jurisdiction. Each jurisdiction that is proposing local amendments will publish an Annex G.

The Alberta Securities Commission is adopting ASC Blanket Order 45-519 and the Ontario Securities Commission is adopting amendments to OSC Rule 72-503 and changes to Companion Policy 72-503 *Distributions Outside Canada* to introduce corresponding exemptions to those in sections 2.14 and 2.15.

## **Contents of Annexes**

This notice contains the following annexes:

Annex A – List of Commenters

Annex B – Summary of Comments and CSA Responses

Annex C – Amendment to National Instrument 45-102 *Resale of Securities*

Annex D – Changes to Companion Policy 45-102 to National Instrument 45-102 *Resale of Securities*

Annex E – Amendments to National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*

Annex F – Changes to National Policy 11-206 *Process for Cease to be a Reporting Issuer Applications*

Annex G – Local Matters

## **Questions**

Please refer your questions to any of the following:

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**ANNEX A**

**LIST OF COMMENTERS**

<b>ITEM</b>	<b>COMMENTER</b>	<b>DATE</b>
1	Caisse de dépôt et Placement du Québec	September 27, 2017
2	Blake, Cassels & Graydon LLP	September 27, 2017
3	Canadian Pension Plan Investment Board, OMERS Administration Corporation, Ontario Teachers' Pension Plan Board	September 27, 2017
4	Davies Ward Philips & Vineberg LLP	September 27, 2017
5	Invesco Canada Ltd	September 27, 2017
6	Investment Industry Association of Canada	September 27, 2017
7	Stikeman Elliott LLP	September 27, 2017
8	Osler, Hoskin & Harcourt LLP	September 27, 2017

## ANNEX B

### Summary of Comments and CSA Responses

The following is a summary of comments and CSA responses in respect of the proposed amendments to section 2.14 of National Instrument 45-102 *Resale of Securities* (NI 45-102) and proposed changes to Companion Policy 45-102 to National Instrument 45-102 *Resale of Securities* (45-102CP) (the “proposed amendments”) and proposed consequential amendments published on June 29, 2017.

#### PART I. GENERAL COMMENTS

ITEM	TOPIC AND SUBTOPIC	SUMMARIZED COMMENT	CSA RESPONSE
1.	<b>General support for the proposed amendments</b>	<p>We received eight comment letters. Five commenters generally support the proposed amendments. Six commenters support the CSA proposal to remove the ownership conditions and the effort to simplify the criteria and process relating to financings undertaken by foreign issuers.</p> <p>The following are examples of the comments received:</p> <ul style="list-style-type: none"><li>• Ownership conditions are no longer appropriate and are not the best indicators of whether there is minimal connection to Canada. The ownership conditions create uncertainty, complexity and cost for Canadian investors in determining whether the conditions are met.</li><li>• The current exemption is impractical because not all foreign issuers are willing to provide assurances with respect of the ownership conditions, leading to a loss of investment opportunities.</li></ul>	We acknowledge the comments of support and thank commenters.

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		<ul style="list-style-type: none"> <li>• The proposed amendments add predictability to the process and much-needed certainty to Canadian investors and reduce impediments to participating in foreign offerings.</li> <li>• The proposed amendments will assist Canadian pension fund managers to achieve diversification through investments in foreign securities. The proposed amendments will also help them become increasingly competitive in foreign markets, allow them to better fulfill their mandates and in turn contribute to the wellbeing of Canadian pensioners.</li> <li>• The proposed amendments strike the correct balance between protecting Canadian investors and facilitating fair and efficient capital markets.</li> </ul> <p>One commenter only commented on specific aspects of the proposed amendments.</p>	
2.	<p><b>General support for initiative to reform the existing exemption but not for the proposed approach</b></p> <p><i>Suggested alternatives</i></p>	<p>Two commenters are supportive of the initiative to reform the existing resale exemption, but generally oppose the proposed amendments and suggest alternative approaches.</p> <p>One of these commenters submits that while it appreciates the objective the CSA is trying to achieve, current section 2.14 and proposed section 2.14.1 establish arbitrary thresholds that fail to identify circumstances where the prospectus requirement should not be applied to an offshore resale of securities. For example, the commenter suggests instead that we consider circumstances where the risk is low that the trade is an indirect distribution into Canada because there is not a meaningful Canadian market into which the traded securities are likely to flow back without first coming to rest</p>	<p>We thank commenters for their support. We considered the suggestions made by the commenters; however, we are of the view that our approach is more consistent with the policy rationale for the exemption and provides an appropriate proxy for determining whether an issuer has a minimal connection to Canada.</p> <p>We renumbered proposed section 2.14.1 to section 2.15.</p>

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		<p>outside of Canada. That commenter suggests that listing (in the case of an initial public offering) and/or published trading volume is a much better proxy for flow back risk than the Canadian ownership thresholds or the proposed "foreign issuer" concept and is accessible to all investors.</p> <p>The other of these commenters notes that the proposed amendment applies the "distribution from the jurisdiction is a distribution in the jurisdiction" regulatory framework to resales. The commenter does not agree with the approach. Instead the commenter suggests that if the securities of the issuer are listed in Canada, then the trading volume in Canada and the risk of flow back should be considered to justify Canadian regulation of foreign transactions. If the issuer is not listed in Canada then the proposed definition of "foreign issuer" would only apply if the issuer of the securities is not filing continuous disclosure documents in a "good" disclosure jurisdiction.</p>	

**PART II. COMMENTS ON SPECIFIC QUESTIONS**

ITEM	TOPIC AND SUBTOPIC	SUMMARIZED COMMENT	CSA RESPONSE
1.	<p><b>Definition of "foreign issuer"</b></p> <p><i>Support for the definition as proposed</i></p>	<p>Three commenters generally agree with the definition as proposed. One commenter submits that the proposed definition provides simplicity and predictability, which in turn makes the process more efficient, and does not discourage issuers from conducting these transactions. There may be circumstances where the definition may</p>	<p>We acknowledge the comments of support and thank commenters.</p>

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		<p>capture issuers without a significant connection to Canada, but these situations would not occur frequently, and would be better managed through the issuer obtaining an exemption order rather than by attempting to accommodate such situations in the regulation.</p> <p>One commenter agrees that the proposed elements of the definition of “foreign issuer” are appropriate for purposes of establishing that an issuer has a minimal connection to Canada.</p> <p>Another is of the view that the proposed definition of foreign issuer adequately promotes the policy rationale of section 2.14 and if the elements are satisfied, correctly makes the philosophical presumption that an issuer will not develop anything but a minimal connection to Canada.</p>	
2.	<p><b>Definition of “foreign issuer”</b></p> <p><i>Suggested alternative:</i></p> <p><i>Current definitions of foreign issuer in Canadian securities laws</i></p>	<p>One commenter suggests that for the purpose of consistency of interpretation the CSA consider revising the definition of “foreign issuer” to mirror the language used elsewhere in Canadian securities laws, for example in National Instrument 71-102 <i>Continuous Disclosure and Other Exemptions Relating to Foreign Issuers</i> (NI 71-102) or National Instrument 71-101 <i>The Multijurisdictional Disclosure System</i> (NI 71-101), unless there is intended to be a substantive difference between such definitions.</p> <p>Another commenter suggests that consistent with the approach taken in NI 71-102, NI 71-101 and the “foreign private issuer” test under the U.S. Securities Act, the definition of foreign issuer should be based on much more significant connections to Canada, such as having a majority of the issuer’s voting securities held in Canada in addition to one of the factors in the proposed definition of foreign issuer.</p>	<p>We considered the current definitions in Canadian securities rules suggested by the commenters but concluded that these were not appropriate for the new exemption. We are of the view that in the context of the foreign issuer definition, which serves as an alternative to the ownership conditions for assessing an issuer’s connection to Canada, the inclusion of an ownership condition is unnecessarily burdensome.</p>

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3.	<p><b>Definition of “foreign issuer”</b></p> <p><i>Suggested alternative: Incorporation outside of Canada only</i></p>	<p>One commenter suggests that the CSA consider revising the definition of “foreign issuer” so that any issuer incorporated or organized outside Canada will qualify, and continue to qualify, without regard to any of the elements currently listed in the proposed definition.</p> <p>The commenter recognizes that head office, residence of directors and executive officers and location of assets tests for establishing connections to Canada are used in NI 71-102, NI 71-101 and the test of “foreign private issuer” status used in U.S. Securities and Exchange Commission (SEC) rules. However, the assessment of whether an issuer meets the tests is a matter that is determined by the issuer, in order to assess whether or not some benefit is available to it.</p>	<p>We are of the view that additional factors are necessary to establish whether an issuer has a minimal connection to Canada.</p>
4.	<p><b>Definition of “foreign issuer”</b></p> <p><i>Suggested changes to the proposed definition</i></p>	<p>Several commenters suggest that we make changes to the elements of the definition of foreign issuer particularly because of the difficulties in determining whether each can be met.</p> <p>1. Asset based test</p> <p>Two commenters express concerns that it may not be feasible to determine compliance or convenient to ask the issuer to make representations as to its compliance with the asset-based test. A multinational issuer is not normally required to provide in its disclosure a geographic breakdown of where its assets are located. Identifying the location of the assets held by an issuer’s subsidiaries for the purposes of this test may be difficult.</p> <p>One of the commenters suggests that an asset-based test may not be an appropriate proxy to determine whether there is a risk that a market will develop in Canada. The commenter is of the view that</p>	<p>We considered the comments and agree that certain changes to the definition are appropriate.</p> <p>We revised the definition of foreign issuer to remove the asset-based component. In our view, the revised definition appropriately reflects whether an issuer has a minimal connection to Canada.</p> <p>We do not agree with the suggestion that all elements of the definition be satisfied before an issuer is disqualified as a foreign issuer. We are of the view that the revised definition strikes the</p>

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		<p>the asset-based test can be removed from the definition of foreign issuer, and the remaining elements are sufficient to ensure that a market for the securities does not develop in Canada. Alternatively, the commenter suggests that we consider adopting the definition of “eligible foreign security” in National Instrument 45-107 <i>Listing Representation And Statutory Rights Of Action Disclosure Exemptions</i>.</p> <p>The other commenter is of the view that an issuer having a majority of its assets located in Canada may establish that there is a Canadian market for its products; however, it is not a meaningful indicator of a market for its securities.</p> <p>2. Disqualification</p> <p>One commenter suggests that failure to satisfy only one of the proposed elements of the definition of "foreign issuer" is not sufficient to establish a connection with Canada. All of the proposed elements of the definition of foreign issuer should have to be established in order for an issuer to lose the benefit of the exemption.</p>	<p>appropriate balance between determining whether the issuer has a minimal connection to Canada and not being unduly burdensome. If we require that all elements be satisfied, it could allow an issuer considered to have a significant connection to Canada to use the exemption.</p>
5.	<p><b>Definition of foreign issuer</b></p> <p><i>Interpretive guidance</i></p>	<p>One commenter suggests that we provide guidance on how to satisfy the majority of directors component of the definition in the context of a limited partnership.</p> <p>Two commenters suggest that we clarify the term “ordinarily reside” as it applies to the executive officers and directors of an issuer.</p>	<p>We added guidance in 45-102CP to assist investors in their determination of whether paragraph (b) of the definition of foreign issuer applies to an issuer. In particular, guidance is added to explain the meaning of director and executive officer in the context of non-corporate issuers including limited partnerships</p>

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			and to clarify what is meant by “ordinarily reside”.
6.	<b>Definition of executive officer</b>	Two commenters propose a much narrower definition of the term “executive officer” restricted to those individuals that are named in public disclosure documents and deleting the reference to individuals with a “policy-making function” since an investor may not be able to determine who these individuals are if they are not specifically named in the issuer’s disclosure.	We considered the comments received and agree that certain changes are appropriate. We revised the definition of executive officer to remove the reference to individuals who have “a policy-making function”. In line with our objective to simplify an investor’s obligation to determine who the executive officers are, we have limited the definition to those individuals in charge of a principal business unit, division or function including sales, finance or production as disclosed in the issuer’s offering document or most recent public disclosure document containing that information.
7.	<b>Availability of information to determine foreign issuer status</b>	<p>Four commenters provide views on whether information is readily available to investors.</p> <p>One commenter is of the view that other than the offering document and the public disclosure documents, Canadian investors will not have access to information to apply the proposed test.</p> <p>This commenter believes that a request for information from the issuer may result in no securities being sold to Canadian investors (as happened in some cases when Canadian investors requested certification that ownership conditions were met) and suggests that</p>	We considered the comments received and added guidance in 45-102CP to assist investors in their determination of whether an issuer is a foreign issuer on the distribution date. An investor can use the information disclosed in the foreign issuer’s offering document or most recent public disclosure document containing that information unless the investor has reason to believe that the

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		<p>the information should be based on readily available public information that is likely to be required in the foreign issuer's home country disclosure requirements.</p> <p>Another commenter is of the view that information about the residency of executive officers and directors and location of assets may need representation from the issuer on the distribution date.</p> <p>One commenter is of the view that, except for the geographical distribution of assets, it should be relatively easy for investors to determine whether the issuer meets the definition of foreign issuer.</p> <p>One commenter submits that the jurisdiction of the issuer's incorporation can be easily determined by reference to disclosure documents prepared or filed by the issuer but information regarding the location of the head office may be less easy to obtain. The commenter suggests that the disqualification with respect to head office in Canada could be tied to stating a Canadian head office address in the issuer's disclosure documents.</p>	<p>information in the document is not accurate.</p>
8.	<p><b>Date of determination of whether an issuer is a foreign issuer</b></p>	<p>Four commenters agree that the distribution date should be when the determination is made. One of the commenters suggests the date of the last applicable public disclosure document.</p> <p>Two of these commenters as an alternative would support the choice between the distribution date and the date of trade.</p> <p>Another commenter suggests that issuers should be permitted to determine whether they are "foreign issuers" on a yearly basis, either as of year-end or the end of the second fiscal quarter, the latter being when foreign companies are required to make annual determinations regarding "foreign private issuer" status under the</p>	<p>We continue to believe that the distribution date is the appropriate date because it is at that date that an investor makes an investment decision and having the foreign issuer status change over time would create uncertainty.</p> <p>To respond to comments received, we provided guidance in 45-102CP that investors can use information in the offering document or the most recent public disclosure document containing</p>

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		SEC rules. This may aid investors (and issuers) in being able to make a more certain determination by providing a specific reference point for which current financial statements and other information will be available.	that information to determine foreign issuer status unless the investor has reason to believe that the information in the document is not accurate.
9.	<b>Date of determination of non-reporting issuer status</b>	<p>Two commenters support either the distribution date or the date of trade.</p> <p>Two commenters support the distribution date. The commenters are of the view that investors should be provided with certainty at the time of their investment decision as to whether the proposed exemption will be available for the subsequent resale of the securities.</p>	We retained the determination of non-reporting issuer status at either the distribution date or the date of trade because it provides flexibility for investors. For example, the option of using the date of trade accommodates security holders of a foreign issuer that was a reporting issuer on the distribution date but is no longer a reporting issuer on the date of trade. In that situation, the securities would be subject to an indefinite hold period. With this flexibility, security holders of a foreign issuer would be able to avail themselves of the resale provisions in section 2.15, provided that the other conditions of the exemption are met.
10.	<b>No unusual efforts condition</b>	Of the four commenters who commented on this condition, two commenters are of the view that this condition creates practical difficulties as the definition of insider varies in different jurisdictions.	<p>We removed the “no unusual efforts” condition.</p> <p>We are of the view that selling security holders who wish to rely on the</p>

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		<p>One of these commenters suggests that we remove the condition because it is not necessary. It is unlikely that a selling security holder will take steps to prepare the market in Canada for a distribution of securities through an offshore market. The inclusion of anti-avoidance language (similar to what has been proposed in Proposed Ontario Securities Commission Rule 72-503 <i>Distributions Outside of Canada</i>) would achieve the same objective.</p> <p>Another commenter asks that, if we keep the condition, the CSA provide further explanation as to the policy rationale for this condition. The proposed exemption does not permit a trade to be made through an exchange or market in Canada or to a person or company in Canada, the commenter does not see how preparing the market or creating a demand in Canada raises a potential policy concern.</p> <p>If we keep the condition, two commenters suggest that we provide guidance as to what is meant by “preparing the market” and “no unusual effort”.</p> <p>One commenter believes that condition is appropriate and consistent with the policy objectives. First, it protects Canadian investors by ensuring that investors in Canada are not acquiring securities on a foreign market that they would not have been able to acquire directly from existing Canadian shareholders. It also preserves the integrity of the Canadian and global capital markets by discouraging market participants from exploiting gaps in investor protection mechanisms that may exist between different legal regimes.</p> <p>The commenter believes that unusual efforts to prepare the market in Canada, or to create demand in Canada, would effectively defeat</p>	<p>exemption cannot take active steps to sell or create demand for the security in Canada. Any activity undertaken by a selling security holder to sell or create a demand for the security in Canada would be an act in furtherance of a trade and would therefore be considered a “distribution” occurring in Canada. As a result, even without the condition, any selling security holder engaged in these activities in Canada would not be able to rely on the exemptions in sections 2.14 and 2.15.</p> <p>We added further guidance in 45-102CP to clarify that in the context of a trade to a person outside of Canada, a selling security holder cannot sell securities to a person or company outside of Canada if the selling security holder has reason to believe it is acquiring the securities on behalf of a Canadian investor.</p> <p>While all jurisdictions consider avoidance structures to be contrary to the exemptions in sections 2.14 and 2.15, the Alberta Securities Commission and Ontario Securities Commission have included an anti-avoidance provision in their local rules. Please</p>

ITEM	TOPIC AND SUBTOPIC	SUMMARIZED COMMENT	CSA RESPONSE
		<p>(i) the first objective to the extent that, as a result, Canadian investors are successfully enticed to purchase securities on an exchange or market outside Canada that they could not lawfully purchase directly from the seller within Canada, and (ii) the second objective to the extent that they undermine the integrity of the capital markets by allowing Canadian resale restrictions to be circumvented through cross-border transactions.</p> <p>The commenter believes that in practice the number of situations in which an insider in Canada could successfully prepare the market in Canada, or create demand in Canada, for a foreign issuer’s securities may well be quite limited. Nevertheless, even if a remote concern, the commenter agrees that the restriction is appropriate and notes that it is consistent with the restrictions on directed selling efforts in the United States under the SEC regime regulating offshore resales.</p>	<p>refer to the local annexes of those jurisdictions for further information.</p>
11.	<p><b>Repeal of existing 2.14 exemption</b></p>	<p>One commenter suggests that we repeal the exemption. The commenter submits that circumstances may exist but they would be extremely rare and could be dealt with by using a specific exemption order.</p> <p>Two commenters suggest that we keep existing section 2.14. One of these commenters suggests modifying the exemption.</p> <p>If we repeal section 2.14, three commenters suggest that we include provisions to grandfather previous transactions that benefitted from the exemption.</p>	<p>We considered the comments received and decided to retain section 2.14.</p> <p>To avoid confusion, we renumbered proposed section 2.14.1 to section 2.15.</p> <p>The policy rationale for section 2.14 is consistent with the policy rationale for section 2.15 – to provide an exemption for resale outside of Canada for the securities of an issuer with a minimal connection to Canada.</p> <p>The definition of “foreign issuer” under section 2.15 serves as an alternative to</p>

ITEM	TOPIC AND SUBTOPIC	SUMMARIZED COMMENT	CSA RESPONSE
			<p>the ownership conditions under section 2.14 for assessing an issuer’s connection to Canada.</p> <p>By retaining section 2.14, it would provide a transition for previous exempt distributions to continue to benefit from the exemption and provide a limited exemption for securities of non-reporting Canadian issuers that have a minimal connection to Canada.</p>
12.	<p><b>Exemption for Canadian issuers</b></p> <p><i>Should we consider a similar exemption</i></p>	<p>Four commenters encourage the CSA to provide an exemption for the resale of securities of a Canadian issuer outside of Canada.</p> <p>One of these commenters suggests that the exemption would be helpful to issuers whose only connection to Canada is its organization or formation with no other material connection to Canada.</p> <p>Another of these commenters refers to the circumstance where concurrently with foreign public offering by a Canadian issuer, the issuer will offer securities in Canada under a prospectus exemption. Canadian investors would be at a disadvantage compared with foreign investors who participated in the same distribution, as they would be subject to resale restrictions to which the foreign investors would not be subject.</p> <p>One commenter is not supportive because such an exemption may encourage issuers to list outside of Canada and offer securities to Canadian investors without a hold period. This could be an incentive to circumvent Canadian securities law and sell securities</p>	<p>We thank commenters for their feedback.</p> <p>We will consider the comments and suggestions in our broader review of the resale regime in NI 45-102. In the meantime, we will continue to deal with these circumstances through exemptive relief applications.</p>

ITEM	TOPIC AND SUBTOPIC	SUMMARIZED COMMENT	CSA RESPONSE
		to Canadians outside of the Canadian regulatory system by avoiding the prospectus process and resale provisions.	
13.	<p><b>Exemption for Canadian issuers</b></p> <p><i>Suggested conditions to the exemption</i></p>	<p>One commenter suggests that we consider a similar exemption for the resale outside of Canada for a Canadian issuer that distributes securities primarily in a foreign jurisdiction without requiring that the issuer become a reporting issuer in Canada. A condition that there be no unusual effort to prepare the market or to create a demand should be included.</p> <p>One commenter submits that an exemption for the resale of securities of a Canadian issuer outside of Canada should be subject to additional conditions or limitations considered necessary for the protection of Canadian investors, and to avoid potential abuses that could bring the capital markets into disrepute. The commenter suggests that we look at the U.S. model for direction on what conditions we could consider for the exemption.</p> <p>Another commenter suggests that, in the case of a listed security, we apply a trading volume test as trading volume is a better proxy for the existence of a significant Canadian market for the securities. Specifically, the exemption would provide that the first trade of securities of a non-reporting issuer is not a distribution if the trade is to a person outside of Canada or through an exchange, or market, outside of Canada.</p>	<p>We thank commenters for their feedback.</p> <p>We will consider the comments and suggestions in our broader review of the resale regime in NI 45-102. In the meantime, we will continue to deal with these circumstances through exemptive relief applications.</p>

**ANNEX C**  
**AMENDMENTS TO**  
**NATIONAL INSTRUMENT 45-102 RESALE OF SECURITIES**

*Text boxes in this Instrument located below sections 2.14 and 2.15 refer to local instruments in Alberta and Ontario. These text boxes do not form part of this Instrument.*

- 1. National Instrument 45-102 Resale of Securities is amended by this Instrument.**
- 2. Section 2.14 is amended by adding the following subsection:**
  - (3) This section does not apply in Alberta and Ontario..

*In Ontario, section 2.7 of Ontario Securities Commission Rule 72-503 Distributions Outside Canada provides a similar exemption to the exemption in section 2.14 of this Instrument. In Alberta, Alberta Securities Commission Blanket Order 45-519 Prospectus Exemptions for Resale Outside Canada provides a similar exemption to the exemption in section 2.14 of this Instrument.*

- 3. The Instrument is amended by adding the following section:**

**2.15 First Trades in Securities of a Non-Reporting Foreign Issuer Distributed under a Prospectus Exemption**

- (1) In this section  
"executive officer" means, for an issuer, an individual who is
  - (a) a chair, vice-chair or president,
  - (b) a chief executive officer or a chief financial officer, or
  - (c) in charge of a principal business unit, division or function including sales, finance or production and that fact is disclosed in any of the following documents:
    - (i) the issuer's most recent disclosure document containing that information that is publicly available in a foreign jurisdiction where its securities are listed or quoted;
    - (ii) the offering document provided by the issuer in connection with the distribution of the security that is the subject of the trade;

“foreign issuer” means an issuer that is not incorporated or organized under the laws of Canada, or a jurisdiction of Canada, unless any of the following applies:

- (a) the issuer has its head office in Canada;
  - (b) the majority of the executive officers or directors of the issuer ordinarily reside in Canada.
- (2) The prospectus requirement does not apply to the first trade of a security distributed under an exemption from the prospectus requirement if all of the following apply:
- (a) the issuer of the security was a foreign issuer on the distribution date;
  - (b) the issuer of the security
    - (i) was not a reporting issuer in any jurisdiction of Canada on the distribution date, or
    - (ii) is not a reporting issuer in any jurisdiction of Canada on the date of the trade;
  - (c) the trade is made
    - (i) through an exchange, or a market, outside of Canada, or
    - (ii) to a person or company outside of Canada.
- (3) The prospectus requirement does not apply to the first trade of an underlying security if all of the following apply:
- (a) the convertible security, exchangeable security or multiple convertible security that, directly or indirectly, entitled or required the holder to acquire the underlying security was distributed under an exemption from the prospectus requirement;
  - (b) the issuer of the underlying security was a foreign issuer on the distribution date;
  - (c) the issuer of the underlying security
    - (i) was not a reporting issuer in any jurisdiction of Canada on the distribution date, or
    - (ii) is not a reporting issuer in any jurisdiction of Canada on the date of trade;
  - (d) the trade is made
    - (i) through an exchange, or a market, outside of Canada, or
    - (ii) to a person or company outside of Canada.

- (4) This section does not apply in Alberta and Ontario..

*In Ontario, section 2.8 of Ontario Securities Commission Rule 72-503 Distributions Outside Canada provides a similar exemption to the exemption in section 2.15 of this Instrument. In Alberta, Alberta Securities Commission Blanket Order 45-519 Prospectus Exemptions for Resale Outside Canada provides a similar exemption to the exemption in section 2.15 of this Instrument.*

3. **Appendix D is amended by adding the following in section 1 after “as well as the following local exemptions from the prospectus requirement:”:**
- section 2.4 of Ontario Securities Commission Rule 72-503 *Distributions Outside Canada*;
4. This Instrument comes into force on June 12, 2018.

**ANNEX D**  
**CHANGES TO**  
**COMPANION POLICY 45-102 TO NATIONAL INSTRUMENT 45-102 *RESALE OF***  
***SECURITIES***

**1. *Companion Policy 45-102CP to National Instrument 45-102 Resale of Securities is changed by this Document.***

**2. *The title of the Companion Policy is simplified to read as follows:***

**COMPANION POLICY 45-102 *RESALE OF SECURITIES***

**3. *Section 1.1 is changed:***

***(a) by replacing subsection (2) with the following:***

(2) Except for sections 2.1, 2.8, 2.9 and 2.15, Part 2 of NI 45-102 does not apply in Manitoba.; ***and***

***(b) by adding the following subsection:***

(3) Sections 2.14 and 2.15 do not apply in Alberta and Ontario. In Alberta and Ontario, local measures similar to sections 2.14 and 2.15 apply and are found in Alberta Securities Commission Blanket Order 45-519 *Prospectus Exemptions for Resale Outside Canada* and in sections 2.7 and 2.8 of Ontario Securities Commission Rule 72-503 *Distributions Outside Canada*..

**4. *Subsection 1.2(3) is changed by replacing the second and third sentences with the following:***

This includes the further exemptions found in sections 2.14 and 2.15, and the similar exemptions in Alberta and Ontario. For example, if a person or company obtains a discretionary exemption order or ruling that imposes any of the resale restrictions contained in section 2.5, 2.6 or 2.8 on a security that is the subject of the order or ruling, the person or company may rely on section 2.14 or 2.15, or the similar exemptions in Alberta and Ontario, to resell the security..

**5. *Section 1.9 is changed by replacing the words “section 4 of the Alberta Securities Commission Rules” with the words “section 3.1 of the Alberta Securities Commission Rule 45-511 *Local Prospectus Exemptions and Related Requirements*”.***

**6. *Section 1.15 is changed:***

***(a) by replacing, in the title, the words “of a Non-Reporting Issuer” with the words “under Section 2.14”; and***

**(b) by adding the following subsection:**

(4) *Bona fide trades outside of Canada* – The exemptions in subsections 2.14(1) and 2.14(2) permit the resale of securities of an issuer in a bona fide trade outside of Canada. The exemptions are each subject to a condition that the trade is made through an exchange or a market outside of Canada, or to a person or company outside of Canada.

In our view, selling security holders who wish to rely on the exemptions may not take steps to sell in Canada by either (1) pre-arranging with a buyer that is a resident of Canada and settling on an exchange or a market outside of Canada or (2) selling securities to a person or company outside of Canada who the selling security holder has reason to believe is acquiring the securities on behalf of a Canadian investor. A selling security holder engaged in activities to sell or create a demand for the security in Canada would not be able to rely on the exemptions in section 2.14.

As with all prospectus exemptions, a person relying on an exemption has to satisfy itself that the conditions to the exemption are met..

**7. The Companion Policy is changed by adding the following section after section 1.15:**

**1.15.1 Resale of Securities under Section 2.15**

(1) *Directors and Executive Officers* – The definition of “foreign issuer” in section 2.15 of NI 45-102 uses the terms “directors” and “executive officers”. The term “director” is defined in provincial and territorial securities legislation in Canada and generally means a director of a company or an individual performing a similar function or acting in a similar capacity for any non-corporate issuer.

For a non-corporate issuer, an executive officer is a person who is acting in a capacity with the non-corporate issuer that is similar to that of an executive officer of a company.

(2) *Definition of foreign issuer* – In order to rely on section 2.15, a selling security holder will have to determine if the issuer is a foreign issuer on the distribution date. In some cases, the issuer will provide that information to investors at the time of the offering, perhaps in representations in subscription agreements or in offering materials. If the issuer doesn’t provide that information, we defined “foreign issuer” such that a security holder can determine whether an issuer is a foreign issuer by using the information disclosed in the issuer’s most recent disclosure document containing that information that is publicly available in a foreign jurisdiction or the offering document provided by the issuer in connection with the distribution of the security that is the subject of the resale. A security holder may rely on this information unless the security holder has reason to believe that it is not accurate.

The term “ordinarily reside” is used to clarify that when an executive officer or director has a temporary residence outside of Canada, such as a vacation home, the executive officer or director would not generally be considered to reside outside of Canada for the purposes of the definition of foreign issuer.

(3) There is no requirement to place a legend on the securities in order to rely on the exemptions in section 2.15 of NI 45-102.

(4) *Bona fide trades outside of Canada* – The exemptions in subsections 2.15(2) and 2.15(3) permit the resale of securities of an issuer in a bona fide trade outside of Canada. The exemptions are each subject to a condition that the trade is made through an exchange or a market outside of Canada, or to a person or company outside of Canada.

In our view, selling security holders who wish to rely on the exemptions may not take steps to sell in Canada by either (1) pre-arranging with a buyer that is a resident of Canada and settling on an exchange or a market outside of Canada or (2) selling securities to a person or company outside of Canada who the selling security holder has reason to believe is acquiring the securities on behalf of a Canadian investor. A selling security holder engaged in activities to sell or create a demand for the security in Canada would not be able to rely on the exemptions in section 2.15.

As with all prospectus exemptions, a person relying on an exemption has to satisfy itself that the conditions to the exemption are met..

8. ***Section 1.16 is changed by deleting the words*** “in the jurisdiction of the issuer’s principal regulator under National Policy 11-202 *Process for Prospectus Reviews in Multiple Jurisdictions*”.
9. These changes become effective on June 12, 2018.

**ANNEX E**  
**AMENDMENTS TO**  
**NATIONAL INSTRUMENT 31-103 REGISTRATION REQUIREMENTS, EXEMPTIONS**  
**AND ONGOING REGISTRANT OBLIGATIONS**

**1. *National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations is amended by this Instrument.***

**2. *Subsection 8.16(3) is amended by***

**3. *deleting at the end of paragraph (a) the word “and”, and***

**4. *replacing paragraph (b) with the following:***

(b) the conditions of one of the following exemptions are satisfied:

- (i) except in Alberta and Ontario, section 2.14 or 2.15 of National Instrument 45-102 *Resale of Securities*,
- (ii) in Ontario, section 2.7 or 2.8 of Ontario Securities Commission Rule 72-503 *Distributions Outside Canada*,
- (iii) in Alberta, exemptions similar to the exemptions set out in subparagraph (i) as made by the securities regulatory authority in Alberta..

*In Alberta, Alberta Securities Commission Blanket Order 45-519 Prospectus Exemptions for Resale Outside Canada provides similar exemptions to the exemptions in section 2.14 and 2.15 of National Instrument 45-102 Resale of Securities.*

**3. This Instrument comes into force on June 12, 2018.**

**ANNEX F**

**CHANGES TO  
NATIONAL POLICY 11-206 *PROCESS FOR CEASE TO BE A REPORTING ISSUER  
APPLICATIONS***

**1. *National Policy 11-206 Process for Cease to be a Reporting Issuer Applications is changed by this Document.***

**2. *The third paragraph of section 14 is changed:***

**(a) *by replacing the words “the number of Canadian securityholders who purchased securities pursuant to a prospectus exemption and” with the words “whether Canadian security holders who purchased securities pursuant to a prospectus exemption”; and***

**(b) *by replacing the last sentence with the following:***

The issuer should provide an analysis of whether those Canadian security holders can rely on section 2.14, section 2.15 or any other provision in National Instrument 45-102 *Resale of Securities* to sell their securities following the issuance of the order that the issuer has ceased to be a reporting issuer. In Ontario, similar exemptions to sections 2.14 and 2.15 are found in sections 2.7 and 2.8 of Ontario Securities Commission Rule 72-503 *Distributions Outside Canada*. In Alberta, similar exemptions to sections 2.14 and 2.15 are found in Alberta Securities Commission Blanket Order 45-519 *Prospectus Exemptions for Resale Outside Canada*.

**3. These changes become effective on June 12, 2018.**

## ANNEX G

### LOCAL MATTERS

The other members of the CSA have made:

- amendments to NI 45-102 and
- related consequential amendments

(together the **CSA Amendments**).

The CSA Amendments are expected to be considered by the Commission in April 2018. If the Commission approves those amendments, staff will ask that they be made effective June 12, 2018.

The CSA Amendments will have the effect of carving Alberta out of the Existing Exemption and Foreign Issuer Exemption in NI 45-102.

The Alberta Securities Commission has adopted ASC Blanket Order 45-519 *Prospectus Exemptions for Resales Outside of Canada* (**ASC Blanket Order 45-519**):

ASC Blanket Order 45-519 is intended to align with the CSA Amendments and includes

- a prospectus exemption designed to align with the Existing Exemption,
- a prospectus exemption designed to align with the Foreign Issuer Exemption, and
- an anti-avoidance provision applicable to both exemptions.

ASC Blanket Order 45-519 provides substantially harmonized exemptions to those found in sections 2.14 and 2.15 of NI 45-102. ASC Blanket Order 45-519 also includes an anti-avoidance provision. The anti-avoidance provision reinforces the Commission's view that the prospectus exemptions available in ASC Blanket Order 45-519 are intended only for *bona fide* resales being made in good faith outside Canada, and not as part of a plan or scheme to conduct an indirect trade to a person or company in Canada.

ASC Blanket Order 45-519 is attached as a schedule to this Annex.

**ALBERTA SECURITIES COMMISSION**

**BLANKET ORDER 45-519**

**Citation: Re Prospectus Exemptions for Resale Outside of Canada, 2018 ABASC 46**

**Date: 20180326**

**Definitions**

1. Terms defined in the *Securities Act* (Alberta) (the **Act**), National Instrument 14-101 *Definitions* or National Instrument 45-102 *Resale of Securities* (**NI 45-102**) have the same meaning in this Blanket Order.
2. "executive officer" means, for an issuer, an individual who is
  - (a) a chair, vice-chair or president,
  - (b) a chief executive officer or a chief financial officer, or
  - (c) in charge of a principal business unit, division or function including sales, finance or production and that fact is disclosed in any of the following documents:
    - (i) the issuer's most recent disclosure document containing that information that is publicly available in a foreign jurisdiction where its securities are listed or quoted;
    - (ii) the offering document provided by the issuer in connection with the distribution of the security that is the subject of the trade.
3. "foreign issuer" means an issuer that is not incorporated or organized under the laws of Canada, or a jurisdiction of Canada, unless any of the following applies:
  - (a) the issuer has its head office in Canada;
  - (b) the majority of the executive officers or directors of the issuer ordinarily reside in Canada.

**Background**

4. Securities distributed under exemptions from the prospectus requirement are often subject to resale restrictions under NI 45-102.
5. Except in Alberta and Ontario, sections 2.14 and 2.15 of NI 45-102 provide certain exemptions from the prospectus requirement to permit the resale of securities through a foreign exchange or market or to a person or company outside Canada if the issuer has a minimal connection to Canada.

6. Staff of the Alberta Securities Commission (the **Commission**) suggest that it would not be contrary to the public interest to provide substantially similar prospectus exemptions to those in sections 2.14 and 2.15 of NI 45-102 provided they are subject to an anti-avoidance provision.

**Order**

7. Considering that it would not be prejudicial to the public interest, the Commission makes the following orders under section 213 of the Act:

- (1) Subject to section 8 of this Blanket Order, the prospectus requirement does not apply to the first trade of a security distributed under an exemption from the prospectus requirement if
  - (a) the issuer of the security
    - (i) was not a reporting issuer in any jurisdiction of Canada on the distribution date, or
    - (ii) is not a reporting issuer in any jurisdiction of Canada on the date of the trade;
  - (b) on the distribution date, after giving effect to the issue of the security and any other securities of the same class or series that were issued at the same time as or as part of the same distribution as the security, residents of Canada
    - (i) did not own directly or indirectly more than 10 percent of the outstanding securities of the class or series, and
    - (ii) did not represent in number more than 10 percent of the total number of owners directly or indirectly of securities of the class or series; and
  - (c) the trade is made
    - (i) through an exchange, or a market, outside of Canada, or
    - (ii) to a person or company outside of Canada.
- (2) Subject to section 8 of this Blanket Order, the prospectus requirement does not apply to the first trade of an underlying security if
  - (a) the convertible security, exchangeable security or multiple convertible security that, directly or indirectly, entitled or required the holder to acquire the underlying security was distributed under an exemption from the prospectus requirement;

- (b) the issuer of the underlying security
    - (i) was not a reporting issuer in any jurisdiction of Canada on the distribution date of the convertible security, exchangeable security or multiple convertible security, or
    - (ii) is not a reporting issuer in any jurisdiction of Canada on the date of the trade;
  - (c) the conditions in paragraph (1)(b) would have been satisfied for the underlying security at the time of the initial distribution of the convertible security, exchangeable security or multiple convertible security; and
  - (d) the condition in paragraph (1)(c) is satisfied.
- (3) Subject to section 8 of this Blanket Order, the prospectus requirement does not apply to the first trade of a security distributed under an exemption from the prospectus requirement if
- (a) the issuer of the security was a foreign issuer on the distribution date;
  - (b) the issuer of the security
    - (i) was not a reporting issuer in any jurisdiction of Canada on the distribution date, or
    - (ii) is not a reporting issuer in any jurisdiction of Canada on the date of the trade; and
  - (c) the trade is made
    - (i) through an exchange, or a market, outside of Canada, or
    - (ii) to a person or company outside of Canada.
- (4) Subject to section 8 of this Blanket Order, the prospectus requirement does not apply to the first trade of an underlying security if
- (a) the convertible security, exchangeable security or multiple convertible security that, directly or indirectly, entitled or required the holder to acquire the underlying security was distributed under an exemption from the prospectus requirement;
  - (b) the issuer of the underlying security was a foreign issuer on the distribution date of the convertible security, exchangeable security or multiple convertible security;

- (c) the issuer of the underlying security
    - (i) was not a reporting issuer in any jurisdiction of Canada on the distribution date of the convertible security, exchangeable security or multiple convertible security, or
    - (ii) is not a reporting issuer in any jurisdiction of Canada on the date of the trade; and
  - (d) the condition in paragraph (3)(c) is satisfied.
8. The exemptions in sections 7(1), (2), (3) and (4) of this Blanket Order are not available with respect to any transaction or series of transactions that is part of a plan or scheme to avoid the prospectus requirement in connection with a trade to a person or company in Canada.
9. This Blanket Order takes effect on June 12, 2018.

**For the Commission:**

*“original signed by”*

\_\_\_\_\_  
Stan Magidson  
Chair & CEO

*“original signed by”*

\_\_\_\_\_  
Tom Cotter  
Vice-Chair