

THE MANITOBA SECURITIES COMMISSION

NOTICE 2000-19

NOTICE OF PROPOSED RULE 2000-

SMALL SECURITYHOLDER SELLING AND PURCHASE ARRANGEMENTS

National Instrument 32-101

Substance and Purpose of National Instrument 32-101

The National Instrument provides an exemption to an issuer and its agents from adviser and dealer registration requirements in Canadian securities legislation for certain activities relating to arrangements that permit holders of small amounts of securities of the issuer to sell those securities or to acquire additional securities. The National Instrument is derived from blanket orders and rulings issued by the Canadian securities regulatory authorities.

The National Instrument is an initiative of the Canadian Securities Administrators (the "CSA"), and has been adopted as a rule in each of British Columbia, Alberta and Ontario and as a Commission regulation in Saskatchewan. It has been or is expected to be adopted as a policy in all the other jurisdictions represented by the CSA. The National Instrument may be implemented by a blanket order or ruling in certain jurisdictions. The Manitoba Securities Commission intends to enact National Instrument 32-101 as a rule effective August 30, 2000.

The National Instrument implements, in part, the recommendation of the CSA Task Force on Operational Efficiencies that Canadian securities regulatory authorities increase the co-ordination of regulation, including standardization of requirements.

Summary of National Instrument

The National Instrument provides an exemption from the adviser and dealer registration requirements under Canadian securities legislation. The exemption covers trades by an issuer or its agent in furtherance of participation by existing holders of the issuer's securities in small securityholder selling and purchase arrangements in accordance with the policy of certain stock exchanges.

The exemption is subject to the condition that neither the issuer nor its agent provide advice on participation by a securityholder in an arrangement, other than a description of the operation of the arrangement, procedures for participation in the arrangement, or both. This condition is consistent with the manner in which small securityholder selling and purchase arrangements are currently conducted. In the National Instrument, the Canadian securities regulatory authorities recognize the policies of The Toronto Stock Exchange, The Montreal Exchange and The Canadian Venture Exchange and provides the Canadian securities regulatory authorities with the ability to designate other stock exchanges that have policies substantially similar to the policy of The Toronto Stock Exchange.

The National Instrument also expands current exemptions available in several jurisdictions by allowing any agent of the company to use the exemption, instead of limiting the exemption to agents that are transfer agents.

Authority for National Instrument

In those jurisdictions in which the National Instrument is to be adopted or made as a rule or regulation, the securities legislation in each of those jurisdictions provides the securities regulatory authority with rule-making or regulation-making authority in respect of the subject matter of the National Instrument.

In Regulation 246/97, the Rule-Making Procedure Regulation, *The Securities Act* authorizes The Manitoba Securities Commission to make rules in Manitoba.

Alternatives Considered

The National Instrument replaces blanket rulings and orders issued by the Canadian securities regulatory authorities. The CSA did not consider any alternatives to implementing this exemption as a National Instrument.

Anticipated Costs and Benefits

The National Instrument benefits small securityholders by facilitating arrangements that provide holders of less than a board lot of securities with liquidity or an ability to accumulate a board lot, which might not otherwise be economical as a result of minimum brokerage commissions. The National Instrument also provides an incremental benefit to agents of a company that are not transfer agents by providing an exemption for their activities related to small securityholder selling or purchase arrangements.

As the National Instrument provides an exemption from requirements, there are no costs imposed by the National Instrument.

Comments

Interested parties are invited to make written submissions with respect to the proposed Rule. Submissions received by August 25, 2000 will be considered.

Submissions should be sent to The Manitoba Securities Commission:

Nancy Martin
The Manitoba Securities Commission
1130 – 405 Broadway
WINNIPEG MB R3C 3L6

A diskette containing the submissions (in DOS or Windows format, preferably WordPerfect) should also be submitted. As securities legislation in certain provinces requires that a summary

of written comments received during the comment period be published, confidentiality of submissions cannot be maintained.

DATED: June 21, 2000.