

**Notice and Request for Comment
on
Proposed Multilateral Instrument 11-101 *Principal Regulator System*
Form 11-101F1 *Principal Regulator Notice* and
Companion Policy 11-101CP *Principal Regulator System*
and
Consequential amendments to
National Policy 31-201 *National Registration System*
National Policy 43-201 *Mutual Reliance Review System for Prospectuses*
National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* and
Multilateral Instrument 81-104 *Commodity Pools*.**

May 27, 2005

This notice describes a set of rule and policy initiatives intended to simplify the securities regulatory system for issuers and registrants that have their securities traded or deal with clients in more than one Canadian jurisdiction.

National and multilateral initiatives

The Canadian Securities Administrators (CSA), other than the Ontario Securities Commission (OSC), are publishing for a 60 day comment period the following draft documents:

- Multilateral Instrument 11-101 *Principal Regulator System*;
- Form 11-101F1 *Principal Regulator Notice*; and
- Companion Policy 11-101CP *Principal Regulator System*;

(collectively, the proposed instrument).

CSA, including the OSC, are also publishing proposed amendments to the following national policies and instruments:

- National Policy 31-201 *National Registration System* (NP 31-201);
- National Policy 43-201 *Mutual Reliance Review System for Prospectuses* (NP 43-201)¹;
- National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* (NI 51-101); and
- Multilateral Instrument 81-104 *Commodity Pools* (MI 81-104).

(collectively, the proposed amendments).

Local amendments

Some jurisdictions may also have to make consequential amendments to local instruments. CSA members are publishing amendments to local instruments under separate local notices.

¹ In Québec, this policy is adopted as Notice 43-201 Relating to the Mutual Review Reliance System for prospectuses and annual information forms.

In Québec, amendments to the Regulations respecting securities (R.R.Q. c. V-1.1, r.1) were published for comment on March 11, 2005. Furthermore, in Québec, mutual fund dealers (group savings plan brokerage firms) and their representatives are regulated under the *Act respecting the distribution of financial products and services*. Regulatory provisions will likely have to be adopted under that Act by the Autorité des marchés financiers (AMF) to permit implementation of the proposed instrument. Finally, in Québec, the proposed instrument will include a reference provision (section 1.2) that will direct the reader to an additional appendix (Appendix C). This appendix will set out the complete references of all regulatory and other relevant texts mentioned in the proposed instrument.

British Columbia is also considering a new instrument that would revoke and replace BC Instrument 51-801 *Implementing National Instrument 51-102 Continuous Disclosure Obligations* to deal with the outcome of CSA discussions on the differences in part 8 (business acquisition report) and part 10 (restricted securities) of NI 51-102 *Continuous Disclosure Obligations* (NI 51-102). For further information on the results of these discussions, see *Differences in requirements* below. The British Columbia Securities Commission (BCSC) will publish the proposed new instrument for comment under a separate local notice.

In addition, British Columbia is considering adopting Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* and will be publishing it for comment under its local notice.

Publication and request for comments

CSA are publishing the text of the proposed instrument and proposed amendments concurrently with this notice. The proposed amendments are attached to the notice as Appendices A (amendments to NP 31-201), B (blacklined version of NP 43-201), C (amendments to NI 51-101) and D (amendments to MI 81-104). You can find them on websites of certain CSA members, including the following:

www.bcsc.bc.ca
www.albertasecurities.com
www.sfsc.gov.sk.ca
www.msc.gov.mb.ca
www.lautorite.qc.ca
www.nbsc-cvmnb.ca
www.gov.ns.ca/nssc/

We request comments by July 27, 2005. Our target for implementing the proposed instrument and proposed amendments is late August 2005.

Purpose and scope

The purpose of the proposed instrument and proposed amendments is to implement, in certain areas of securities regulation, a system that gives a market participant access to the capital markets in multiple jurisdictions by dealing with its principal regulator. A market participant's principal regulator will usually be the regulator in the jurisdiction where its head office is located. A market participant will generally have the same principal regulator under the proposed instrument and the relevant mutual reliance review system (MRRS) established by CSA.

Ontario-based market participants will not be able to rely on the exemptions contained in the proposed instrument, but will continue to be able to use MRRS. The OSC will continue to act as principal regulator under MRRS.

An issuer with a head office outside of Ontario that uses the OSC as its principal regulator under NP 43-201 or NP 12-201 *Mutual Reliance Review System for Exemptive Relief Applications*² (for example, a foreign issuer listed on TSX) could select another jurisdiction to act as principal regulator under the proposed instrument and rely on the exemptions in the proposed instrument. The effect would be that the OSC would still be the issuer's principal regulator under NP 43-201 or NP 12-201, but the other jurisdiction selected by the issuer as principal regulator under the proposed instrument would be the only non-principal jurisdiction under MRRS.

An issuer that has a principal regulator other than the OSC would continue to have to comply with Ontario securities law to the extent it participates in Ontario's capital market, and would continue, when necessary, to file any relief applications with the OSC as its only non-principal regulator under NP 43-201 or NP 12-201.

Prince Edward Island, Newfoundland and Labrador, the Northwest Territories, Yukon and Nunavut do not currently act as principal regulators under NP 43-201. However, they will act as the principal regulator for the prospectus exemptions in Part 4 of the proposed instrument if Ontario is the principal regulator for the prospectus filing under NP 43-201. The OSC will issue the decision document under NP 43-201, evidencing the receipts of all jurisdictions where the prospectus is filed. The receipt for Prince Edward Island, Newfoundland and Labrador, the Northwest Territories, Yukon or Nunavut, evidenced by the decision document issued by Ontario, will be the principal jurisdiction receipt needed for the exemptions in the non-principal jurisdictions under the proposed instrument.

CSA are considering extending the list of jurisdictions that can act as principal regulator. New Brunswick does not currently act as principal regulator under NP 43-201 but is included as a principal regulator in the proposed amendments to NP 43-201 and for purposes of the exemptions under the proposed instrument.

Situation in British Columbia

The BCSC is generally concerned about the outcome of CSA discussions on the differences in the national and multilateral instruments covered by the proposed instrument. The result of these discussions is that British Columbia issuers will not fully benefit from the BCSC's streamlining initiatives if they participate in the Canadian capital markets outside British Columbia.

Before deciding whether to adopt the principal regulator system, the BCSC will consider

- comments received on the proposed instrument, the proposed amendments and the other instruments it is publishing for comment to eliminate differences that would not be acceptable under the principal regulator system, and
- the progress made on streamlining and simplifying the business acquisition report (BAR) requirements in NI 51-102.

² In Québec, NP 12-201 is adopted as Notice 12-201 Relating to the Mutual Review Reliance System for Exemptive Relief Applications.

For further information, see *Background, Differences in requirements* and *Request for comment* below.

Background

On September 30, 2004, the Ministers responsible for securities regulation in most Canadian provinces and territories signed a memorandum of understanding and agreed to an action plan that includes making best efforts to implement a passport system in certain areas of securities regulation by August 1, 2005.³

The Ministers agreed that the system would provide a single window of access to market participants in areas where there are already highly harmonized securities laws across Canada or where highly harmonized securities laws could be achieved quickly. The areas to be covered by the system are prospectus requirements and clearance, registration process, requirements and related filings, continuous disclosure requirements, and prospectus and registration exemptions and routine discretionary exemptions.

Although the Ontario government did not sign the memorandum of understanding, the OSC participated in the development of the proposed instrument and proposed amendments. The OSC is not publishing the proposed instrument for the reasons set out in its local notice.

The proposed instrument and proposed amendments go as far as is possible under current legislation to achieve the memorandum of understanding's objective of permitting a market participant to have access to the capital markets in multiple jurisdictions by dealing with its principal regulator. We refer to this system as the 'principal regulator system'. It applies to areas of securities legislation that are already highly harmonized.

In a second phase of implementing the memorandum of understanding, the Ministers plan to seek legislative amendments to provide securities regulatory authorities with additional powers to delegate and receive delegation, to adopt, recognize or incorporate the provisions of other Canadian jurisdiction's laws, to adopt decisions of other securities regulatory authorities and to issue blanket exemptions tied to compliance with designated requirements in another jurisdiction. This legislation would permit arrangements to take the passport system closer to a one-regulator and one-law model.

In a further phase of the project, the Ministers plan to develop and implement highly harmonized and streamlined securities legislation and to review the fee structure to make it consistent with the objectives of the memorandum of understanding.

Summary of Principal Regulator System System for prospectus filings and clearance

For prospectus filings and clearance, we propose streamlining our MRRS processes and shortening our review periods to move toward having only one decision-maker for each issuer. We also propose exempting issuers from many prospectus-related requirements to move toward having only one law apply.

³ The Ontario government did not sign the memorandum of understanding. Several other jurisdictions said they would sign it later, after getting governmental approvals, and (except for Prince Edward Island), have now done so.

(i) Streamline NP 43-201

CSA propose reducing the time it takes to review a prospectus by getting the non-principal regulators to do their review while (instead of after) the principal regulator does its review. We estimate this would shorten the prospectus review process for long form prospectuses by 5 business days and for short form prospectuses by 1 or 2 business days. This would reduce the review period from 15 to 10 business days for long form prospectuses and from 5 to 3 business days for short form prospectuses.

We also propose making other changes to virtually eliminate the need for issuers to deal with non-principal regulators on any comments. One of these changes would require the principal regulator to forward potential opt-out issues raised by non-principal jurisdictions to the filer and attempt to resolve those issues with the filer on behalf of the non-principal regulator. Another, would require the principal regulator to attempt to resolve differences of opinion on proposed dispositions of novel and substantive pre-filings directly with the non-principal regulator that disagrees with the proposed disposition, rather than requiring the filer to resolve the issue directly with that non-principal regulator.

To implement these changes, we propose amending NP 43-201 and changing our administrative processes. A blacklined version of NP 43-201 is attached showing those amendments. We made the amendments to the version of NP 43-201 published for comment on January 7, 2005 in connection with our proposal to repeal and replace National Instrument 44-101 *Short Form Prospectus Distributions* (NI 44-101). We will coordinate the timing for implementing the two sets of amendments based on when those instruments come into effect.

We would also make adjustments to current administrative practices to ensure that non-principal regulators have an opportunity to provide input on prospectuses for novel investment products or offerings without, to the extent possible, jeopardizing the compressed time periods.

(ii) Exemption from long form rule or national prospectus rule of a non-principal regulator

The proposed instrument contains several exemptions that move toward the one-law goal by generally exempting an issuer from prospectus form and content requirements in the non-principal regulators' jurisdictions. This is done in slightly different ways for different kinds of prospectuses.

• **Long Form Prospectuses**

All jurisdictions, except Québec, already allow or require issuers filing long form prospectuses to comply with OSC Rule 41-501 *General Prospectus Requirements*. In Québec, issuers must comply with Regulation Q-28 *respecting General Prospectus Requirements*, which is substantially equivalent to OSC Rule 41-501. The exemption for long form prospectuses would therefore require that the issuer

- file its prospectus materials (including any amendments) with the principal regulator and get the necessary receipts,
- file its prospectus materials with the non-principal regulators, and
- if Québec is not the principal regulator, file the prospectus materials required under OSC Rule 41-501, or, if Québec is the principal regulator, file the prospectus materials required under Regulation Q-28.

Issuers will still have to consider the requirements of the non-principal regulators relating to certificates, filings, delivery and fees. The companion policy provides a list of the significant requirements in each jurisdiction that issuers would still have to comply with.

- ***Other types of prospectuses***

The proposed instrument includes a similar exemption from the following national prospectus rules or disclosure requirements:

- Section 2.1 of National Instrument 33-105 *Underwriting Conflicts*⁴
- National Instrument 41-101 *Prospectus Disclosure Requirements*
- National Instrument 44-101 *Short Form Prospectus*
- National Instrument 44-102 *Shelf Prospectus*
- National Instrument 44-103 *Post-Receipt Pricing*
- National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*
- National Instrument 81-101 *Mutual Fund Prospectus Disclosure*
- Part 3 of MI 81-104
- Sections 8.1, 8.2(1) and 8.2(2) of National Instrument 81-105 *Mutual Fund Sales Practices*

The exemptions require that the issuer

- file its prospectus materials (including any amendments) with the principal regulator and get the necessary receipts, and
- file its prospectus materials with the non-principal regulators.

Each non-principal regulator would still, as required by the legislation, be making a decision to issue a receipt for the prospectus, as is now the case under MRRS. This would continue to happen behind the scenes, and the receipt issued by the principal regulator under MRRS would evidence the receipt of the non-principal regulators.

- ***Prospectus discretionary relief***

The Part 4 exemptions eliminate the need for an issuer to obtain relief from prospectus form and content requirements in non-principal jurisdictions.

This means that an issuer would not have to apply under NP 12-201 or Parts 8 or 9 of NP 43-201, unless it is a reporting issuer in Ontario⁵. Instead, the issuer would request relief only from its principal regulator, and rely on the exemptions in Part 4 of the

⁴ The AMF has adopted a blanket order (2003-C-0047) that exempts dealers from some Québec local regulatory requirements to the extent they comply with National Instrument 33-105. The AMF is presently evaluating the possibility of replacing this order by a regulation for the purposes of the proposed instrument. In the event that NI 33-105 is not adopted as a regulation in Québec, the blanket order might need to be modified in order to adequately mirror the exemption from Appendix C of NI 33-105 provided for in section 4.2 of the proposed instrument or, alternatively, certain modifications might have to be made to section 4.2 of the proposed instrument in order to reflect Québec's situation.

⁵ If an issuer files a prospectus in Ontario and the issuer's head office is not in Ontario, the issuer must make any application for relief with its principal regulator, as determined under the proposed instrument, and with the OSC under NP 12-201 or NP 43-201. If the issuer's head office is in Ontario, the exemptions in the proposed instrument are not available and the issuer must apply for discretionary relief under NP 12-201 or NP 43-201 in each jurisdiction in which the issuer is filing the prospectus.

proposed instrument in its non-principal jurisdictions. The process for pre-filings under Part 9 of NP 43-201, however, would remain the same.

System for registration

CSA implemented National Instrument 31-101 *National Registration System* (NI 31-101) and NP 31-201 on April 4, 2005. NI 31-101 and NP 31-201 will serve as the principal regulator system for the registration process, requirements and related filings. NI 31-101 exempts an applicant for registration from the 'fit and proper' requirements of each non-principal jurisdiction if it meets the fit and proper requirements of its principal jurisdiction. NP 31-201 sets out the MRRS process for registration.

To further enhance the system, we are publishing for comment amendments to NP 31-201 that would shorten the decision-making process. This amendment would reduce the opt-in period in NP 31-201 from 5 business days to 2 business days. We plan to monitor the situation during the comment period and, if we conclude that it is administratively possible, to adopt this proposed amendment at the same time as the proposed instrument or after.

The proposed instrument also includes exemptions from the registration requirement of each non-principal jurisdiction for a dealer, unrestricted adviser or representative that has no more than a few eligible clients and a small amount of assets under management in the jurisdiction (the mobility exemptions). An eligible client includes a person who was a client of the registrant immediately before moving to the jurisdiction, and relatives of that client. These exemptions are subject to conditions, including that the dealer, unrestricted adviser or representative be registered in its principal jurisdiction, act fairly, honestly and in good faith and not solicit new clients in the local jurisdiction except for trades in reliance on another registration exemption in the local jurisdiction.

The mobility exemptions remove an irritant for registered firms and representatives. Current securities legislation requires dealers and unrestricted advisers to be registered in all jurisdictions where they have clients. When an existing client moves to a jurisdiction where the firm or representative is not registered, the firm or representative has to decide whether to incur the expense of registering in that jurisdiction or to tell the client to take its business elsewhere. Firms often find this difficult because they do not always have a sufficient number of clients in the jurisdiction to justify the expense of registering the firm or the representative.

Although the OSC is not publishing the proposed instrument, it is looking at other ways to implement similar mobility exemptions. If the OSC adopts mobility exemptions that are sufficiently harmonized with the ones in the proposed instrument, we would modify the proposed instrument to allow the mobility exemptions to apply to dealers, unrestricted advisers and representatives in Ontario.

For purposes of the mobility exemptions, the principal regulator for a firm is determined by the location of its head office. Under NI 31-101, a firm's principal regulator is determined by using a "most significant connection" test, with the head office as the primary indicator. We plan to amend the principal regulator definition in NI 31-101 at a later date to conform it to the proposed instrument. In the meantime, we will monitor the situation to ensure that the difference in the tests does not result in a firm having a different principal regulator under NI 31-101 and the proposed instrument.

System for continuous disclosure requirements

The proposed instrument contains an exemption that implements the principal regulator system for continuous disclosure requirements by moving to having only one-law apply to each issuer.

The proposed instrument provides a reporting issuer with an exemption from the continuous disclosure requirements (CD requirements) in a non-principal jurisdiction if it

- files the same documents with the non-principal regulator that it files with its PR,
- delivers to securityholders in the non-principal jurisdiction any documents delivered to securityholders in the principal jurisdiction,
- disseminates in the non-principal jurisdiction any information that it disseminates in the principal jurisdiction, and
- pays the fee to the non-principal regulator.

The CD requirements covered by this exemption are those contained in the following instruments:

- National Instrument 43-101 *Standards of Disclosure for Mineral Projects*
- NI 51-101
- NI 51-102
- National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency* (as it applies to documents filed under NI 51-102)
- National Instrument 52-108 *Auditor Oversight* (as they apply to issuers)⁶
- Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*
- Multilateral Instrument 52-110 *Audit Committees* (MI 52-110)
- BC Instrument 52-509 *Audit Committees* (BCI 52-509)
- National Instrument 54-101 *Communication with Beneficial Owners of Securities of Reporting Issuers*
- National Instrument 58-101 *Disclosure of Corporate Governance Practices*
- MI 81-104 (section 8.5 only)
- National Instrument 81-106 *Investment Fund Continuous Disclosure*

As in the prospectus context, the proposed instrument also eliminates the need for an issuer to obtain discretionary continuous disclosure exemptions in non-principal jurisdictions.

This means that an issuer would not have to apply under NP 12-201, unless it is a reporting issuer in Ontario⁷. The issuer would make a local application with its principal

⁶ CSA is still considering whether to include National Instrument 52-108 *Auditor Oversight* in the proposed instrument.

⁷ If an issuer is a reporting issuer in Ontario and its head office is not in Ontario, the issuer must make an application with its principal regulator, as determined under the proposed instrument, and with the OSC under NP 12-201. If the issuer's head office is in Ontario, the exemptions in the proposed instrument are not available and the issuer must apply for discretionary relief under NP 12-201 in each jurisdiction in which the issuer is making a continuous disclosure filing.

regulator, and rely on the exemptions in Part 3 of the proposed instrument in its non-principal jurisdictions.

Differences in requirements

CSA have had discussions about differences among jurisdictions in the national and multilateral instruments covered by the proposed instrument. Many of these differences exist only in British Columbia. For some of the differences, most other CSA members would not agree that an issuer whose principal regulator is British Columbia could rely outside British Columbia on the exemptions in the proposed instrument if these differences remained. As a result, the BCSC is considering adopting Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* and eliminating the following British Columbia differences:

- The carve-out in sections 2.1.3 (report of management and directors) and 3.6 (responsibilities of board of directors) of NI 51-101
- The carve-out in section 8.6 (financial statement and leverage disclosure) of MI 81-104

The BCSC is also considering revoking and replacing BC Instrument 51-801 *Implementing National Instrument 51-102 Continuous Disclosure Obligations* to require a reporting issuer that relies on the continuous disclosure and the national prospectus rule exemptions in the proposed instrument to comply with part 8 (business acquisition report) and part 10 (restricted securities) of NI 51-102.

For the following differences, all CSA members, other than Ontario, agreed that the instruments were sufficiently harmonized and the differences would be accepted in other jurisdictions for market participants whose principal regulator is the BCSC:

- The audit committee rules (MI 52-110 and BCI 52-509)
- The test for “independence” in National Instrument 58-101 *Disclosure of Corporate Governance Practices*
- Part 12 (material contracts) of National Instrument 51-102 *Continuous Disclosure Obligations*
- Parts 3 (seed capital requirements) and 4 (proficiency and supervisory requirements) of MI 81-104
- Differences in the treatment of non-reporting investment funds in National Instrument 81-106 *Investment Fund Continuous Disclosure*

Where appropriate, however, the issuer would have to disclose that it is applying the audit committee rule or the definition of “independence” that applies in British Columbia and that the rule or definition is different from the equivalent rule or definition in other jurisdictions.

CSA are still discussing how to resolve the differences related to the BAR requirements in NI 51-102. Currently, the BAR requirements do not apply in British Columbia. The BCSC is concerned that the burden imposed by the BAR requirements may exceed the value of the resulting disclosure in some circumstances. CSA will examine how to streamline and simplify the BAR requirements based on the experience gained to date in the application of the requirements.

System for statutory and discretionary exemptions

When it comes into effect, proposed National Instrument 45-106 *Prospectus and Registration Exemptions*, published by CSA on December 17, 2004, will realize the Ministers' objective under the memorandum of understanding for statutory exemptions. This instrument consolidates and harmonizes the prospectus and registration exemptions in existing securities legislation and instruments. We anticipate that it will be in effect in September 2005.

The exemptions in the prospectus and continuous disclosure systems will serve as the principal regulator system for discretionary exemptions. We also propose to make some changes to the way we administer NP 12-201. We believe that these improvements will reduce the number of comments from non-principal regulators and generally expedite the review process for exemption applications. We do not have to amend NP 12-201 to put these changes in place.

ANTICIPATED COSTS AND BENEFITS

We expect that the proposed instrument and proposed amendments will enhance the efficiency of regulation of the capital markets and simplify the use of the regulatory system for market participants. By building on and further streamlining MRRS, we can make our decisions more timely and our processes more efficient and seamless for market participants. A market participant would deal almost exclusively with its principal regulator and, from a practical point of view experience a one-decision-maker process. The proposed instrument exempts an issuer or registrant from many aspects of securities law in non-principal jurisdictions on the basis that it is subject to the law of its principal jurisdiction. This achieves a one-law model for the requirements covered by the exemptions.

We did not do a cost-benefit analysis of the proposed instrument and proposed amendments because we do not expect them to impose new costs on market participants. In fact, we expect them to reduce costs.

REQUEST FOR COMMENT

We request your comments on all aspects of the proposed instrument and proposed amendments.

We specifically request comments on these two issues:

1. Differences in requirements

Most CSA members think that the principal regulator system should be based on highly harmonized, if not uniform, requirements in all jurisdictions. In their view, local innovation and reform measures should apply only to market participants that operate exclusively in the local jurisdiction and should be made available in other jurisdictions only when those jurisdictions agree to them. They think that market participants should not be held to different standards simply because of where their head office is located.

By contrast, the BCSC thinks that the principal regulator system should be designed to accommodate a greater range of differences in local requirements. Although, the specific differences being discussed might not seem very significant, the debate about accommodating differences reflects different views about how the principal regulator system should work. The BCSC supports the principal regulator system, but thinks it should be based on legislation that can differ from jurisdiction to jurisdiction as long as

the legislation provides equivalent protection. Regulatory convenience and market pressures would lead jurisdictions to adopt identical requirements in many cases. In other cases, though, some jurisdictions might prefer to have detailed and specific requirements while others might prefer less detailed, outcomes-based requirements.

Designing the system to accommodate differences would allow individual jurisdictions to innovate and implement reforms that affect a sufficient number of capital market participants to assess whether they could benefit the entire Canadian securities market. Once proven, these reforms might then be adopted by other jurisdictions.

Although the principal regulator system accommodates some differences, it is a condition of implementing the proposed instrument that the BCSC require British Columbia issuers using the system to comply with the additional or different requirements that currently apply in other jurisdictions under some of the national and multilateral instruments. The BCSC thinks this condition would negate the benefits of its recent streamlining initiatives and narrow the scope for future innovation and reform except where jurisdictions can reach agreement in advance.

CSA specifically request comments on which of these two views should guide CSA in finalizing the principal regulator system.

In addition, CSA request comments on whether issuers whose principal regulator is British Columbia should be able rely outside British Columbia on the exemptions in the proposed instrument if British Columbia retained

- its carve-out in sections 2.1.3 (report of management and directors) and 3.6 (responsibilities of board of directors) of NI 51-101
- its carve-out in section 8.6 (financial statement and leverage disclosure) of MI 81-104, and
- its exemption from parts 8 (business acquisition report) and 10 (restricted securities) of NI 51-102, set out in BC Instrument 51-801 *Implementing National Instrument 51-102 Continuous Disclosure Obligations*

2. Foreign issuers

The proposed instrument would allow foreign issuers to use the principal regulator system. However, because Ontario will not be adopting the proposed instrument, a foreign issuer that has designated the OSC as its principal regulator for NP 12-201 or NP 43-201 could select another jurisdiction to act as its principal regulator under the proposed instrument. The OSC would continue to act as principal regulator under NP 12-201 and NP 43-201.

An alternative approach would be to deny access to the system to foreign issuers for whom the OSC is the principal regulator under MRRS. This would treat them the same as Ontario-based issuers.

CSA request comments on which alternative we should follow for foreign issuers.

HOW TO PROVIDE YOUR COMMENTS

Please provide your comments by **July 27, 2005** by addressing your submission to the regulators listed below:

British Columbia Securities Commission
 Alberta Securities Commission
 Saskatchewan Financial Services Commission
 Manitoba Securities Commission
 Autorité des marchés financiers
 New Brunswick Securities Commission
 Nova Scotia Securities Commission
 Office of the Attorney General, Prince Edward Island
 Financial Services Regulation Division, Consumer and Commercial Affairs Branch,
 Department of Government Services, Newfoundland and Labrador
 Registrar of Securities, Government of Yukon
 Registrar of Securities, Department of Justice, Government of the Northwest Territories
 Registrar of Securities, Legal Registries Division, Department of Justice, Government of
 Nunavut

You do not need to deliver your comments to all of the regulators publishing the proposed instrument and proposed amendments. Please deliver your comments to the two addresses that follow, and they will be distributed to the other jurisdictions:

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 Fax : (514) 864-6381
 e-mail: consultation-en-cours@lautorite.qc.ca

If you are not sending your comments by e-mail, please send a diskette or CD containing your comments in Word.

We cannot keep submissions confidential because securities legislation in certain provinces requires that a summary of the written comments received during the comment period be published.

QUESTIONS

Please refer your questions to any of:

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MULTILATERAL INSTRUMENT 11-101
Principal Regulator System

PART 1 DEFINITIONS

- 1.1 Definitions

PART 2 PRINCIPAL REGULATOR

- 2.1 Principal regulator for continuous disclosure
- 2.2 Notice of principal regulator for continuous disclosure
- 2.3 Notice of change of principal regulator for continuous disclosure
- 2.4 Principal regulator for prospectuses
- 2.5 Principal regulator for registration
- 2.6 Notice of principal regulator for registration
- 2.7 Notice of change of principal regulator for registration
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PART 3 CONTINUOUS DISCLOSURE EXEMPTION

- 3.1 Application
- 3.2 Continuous disclosure exemption
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PART 4 PROSPECTUS-RELATED EXEMPTIONS

- 4.1 Application
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PART 5 REGISTRATION-RELATED EXEMPTIONS

- 5.1 Application
- 5.2 Mobility trading exemption - dealer
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APPENDIX A PROSPECTUS-RELATED REQUIREMENTS

APPENDIX B MODIFICATIONS TO OSC RULE 41-501

Multilateral Instrument 11-101
Principal Regulator System

PART 1 DEFINITIONS

1.1 Definitions

In this Instrument,

“audit committee rule” means,

- (a) except in British Columbia, MI 52-110, and
- (b) in British Columbia, BCI 52-509;

“BCI 52-509” means BC Instrument 52-509 *Audit Committees*;

“CD requirement” means a requirement in

- (a) National Instrument 43-101 *Standards of Disclosure for Mineral Projects*,
- (b) National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*,
- (c) National Instrument 51-102 *Continuous Disclosure Obligations*,
- (d) NI 52-107 as it applies to a document filed under National Instrument 51-102 *Continuous Disclosure Obligations*,
- (e) National Instrument 52-108 *Auditor Oversight*,¹
- (f) Multilateral Instrument 52-109 *Certification of Disclosure in Issuers’ Annual and Interim Filings*,
- (g) National Instrument 54-101 *Communication with Beneficial Owners of Securities of Reporting Issuers*,
- (h) NI 58-101,
- (i) section 8.5 of MI 81-104,²
- (j) NI 81-106³, or
- (k) an audit committee rule;

¹ CSA is still considering whether to include this instrument in the definition.

² CSA will effectively eliminate the carve-out in section 8.6 for British Columbia commodity pools. As a result, section 8.5 will be harmonized.

³ The CSA expects NI 81-106 to come into effect on June 1, 2005.

“commodity pool” has the same meaning as in MI 81-104;

“dealer” means an investment dealer, or a mutual fund dealer, as defined in NI 31-101;

“eligible client” means a client of a person or company if the client

- (a) was a client of the person or company immediately before the client became a resident of the local jurisdiction,
- (b) is a spouse, parent, grandparent, brother, sister or child of a person referred to in paragraph (a),
- (c) is a parent, grandparent, brother, sister or child of the spouse of a person referred to in paragraph (a),
- (d) is a person or company of which a majority of the voting securities are beneficially owned by persons or companies, or a majority of the directors are individuals, described in paragraph (a), (b) or (c), or
- (e) is a trust or estate of which all of the beneficiaries or a majority of the trustees or executors are persons or companies described in paragraph (a), (b) or (c);

“investment fund” has the same meaning as in NI 81-106;

“investment fund manager” means a person or company that directs the business, operations and affairs of the investment fund;

“local prospectus-related requirements” mean the requirements listed in Appendix A below the name of the jurisdiction;

“long form rule” means,

- (a) if Québec is not the principal jurisdiction, Ontario Securities Commission Rule 41-501 *General Prospectus Requirements*, except sections 13.8, 13.9(2), 13.9(3), 13.9(4) and 14.1(2), as modified by Appendix B, or
- (b) if Québec is the principal jurisdiction, Québec Regulation Q-28 *General Prospectus Requirements*, except sections 13.7, 13.8(2), 13.8(3), 13.8(4) and 14.1(2);

“MI 52-110” means Multilateral Instrument 52-110 *Audit Committees*;

“MI 81-104” means Multilateral Instrument 81-104 *Commodity Pools*;

“mutual fund restricted individual” has the same meaning as in MI 81-104;

“national prospectus rules” means

- (a) the requirement in section 2.1 of NI 33-105 to provide the information specified in Appendix C of NI 33-105,
- (b) National Instrument 41-101 *Prospectus Disclosure Requirements*,
- (c) National Instrument 44-101 *Short Form Prospectus Distributions*,
- (d) National Instrument 44-102 *Shelf Distributions*,
- (e) National Instrument 44-103 *Post-Receipt Pricing*,
- (f) the requirements in NI 52-107 that relate to a preliminary prospectus or prospectus;
- (g) NI 81-101,
- (h) the seed capital requirements, and
- (i) sections 8.1, 8.2(1) and 8.2(2) of National Instrument 81-105 *Mutual Fund Sales Practices*;

“NI 31-101” means National Instrument 31-101 *National Registration System*;

“NI 33-105” means National Instrument 33-105 *Underwriting Conflicts*;⁴

“NI 52-107” means National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*;

“NI 58-101” means National Instrument 58-101 *Disclosure of Corporate Governance Practices*;

“NI 81-101” means National Instrument 81-101 *Mutual Fund Prospectus Disclosure*;

“NI 81-102” means National Instrument 81-102 *Mutual Funds*;

“NI 81-106” means National Instrument 81-106 *Investment Fund Continuous Disclosure*;

“non-principal jurisdiction” means, for a person or company, the jurisdiction of a non-principal regulator;

“non-principal regulator” means, for a person or company, the securities regulatory authority or regulator of a jurisdiction other than the principal jurisdiction;

⁴ The AMF has adopted a blanket order (2003-C-0047) that exempts dealers from certain Québec local regulatory requirements to the extent they comply with NI 33-105. The AMF is presently evaluating the possibility of replacing this order by a regulation for the purposes of this instrument. In the event that NI 33-105 would not be adopted as a regulation in Québec, the blanket order might need to be modified in order to adequately mirror the exemption from Appendix C of NI 33-105 provided for in section 4.2 of this instrument or, alternatively, certain modifications might have to be made to section 4.2 of this instrument in order to reflect Québec’s situation.

“participating dealer” has the same meaning as in NI 81-102;

“principal distributor” has the same meaning as in NI 81-102;

“principal jurisdiction” means, for a person or company, the jurisdiction of the principal regulator;

“principal regulator” means, for a person or company, the securities regulatory authority or regulator determined in accordance with Part 2;

“seed capital requirements” means

- (a) in a jurisdiction other than British Columbia, Part 3 of MI 81-104, and
- (b) in British Columbia, sections 3.1 and 3.2 of NI 81-102;

“unrestricted adviser” has the same meaning as in NI 31-101; and

“working office” has the same meaning as in NI 31-101.

PART 2 PRINCIPAL REGULATOR

2.1 Principal regulator for continuous disclosure

- (1) In this section and section 2.3, “participating principal jurisdiction” means British Columbia, Alberta, Saskatchewan, Manitoba, Québec, New Brunswick⁵ or Nova Scotia.
- (2) For the purposes of Part 3, the principal regulator for a reporting issuer is the securities regulatory authority or regulator of the jurisdiction in which
 - (a) the issuer’s head office is located, if the issuer is not an investment fund, or
 - (b) the investment fund manager’s head office is located, if the issuer is an investment fund.
- (3) Despite subsection (2), if the issuer is not a reporting issuer in the jurisdiction referred to in paragraph (2)(a) or (b), or that jurisdiction is not a participating principal jurisdiction, the principal regulator for the reporting issuer is the securities regulatory authority or regulator in the participating principal jurisdiction with which the issuer has the most significant connection as of the date it first files a document under Part 3.

2.2 Notice of principal regulator for continuous disclosure

A reporting issuer relying on Part 3 must file a completed Form 11-101F1 with its first filing under Part 3.

⁵ This list is based on the list that is currently used in the MRRS policy 43-201 with New Brunswick added and Ontario removed.

2.3 Notice of change of principal regulator for continuous disclosure

- (1) A reporting issuer relying on Part 3 must file a completed Form 11-101F1 if
 - (a) the issuer is not an investment fund and the location of the issuer's head office changes to another participating principal jurisdiction, or
 - (b) the issuer is an investment fund and the location of the investment fund manager's head office changes to another participating principal jurisdiction.
- (2) For the purposes of subsection (1), the issuer must file the completed Form 11-101F1 at the same time the issuer is first required to file a document under a CD requirement following the change.

2.4 Principal regulator for prospectuses

- (1) In this section,

“determination date” is the earlier of

 - (a) the date the issuer files a pre-filing application in any jurisdiction in connection with the prospectus filing, and
 - (b) the date the issuer files the preliminary prospectus under Part 4 in a jurisdiction; and

“participating principal jurisdiction” means

 - (a) British Columbia, Alberta, Saskatchewan, Manitoba, Québec, New Brunswick⁶ and Nova Scotia, and
 - (b) Prince Edward Island, Newfoundland and Labrador, Yukon, Northwest Territories and Nunavut if the issuer files the preliminary prospectus and prospectus in Ontario and Ontario is the principal reviewer of the prospectus under a mutual reliance review system.
- (2) For the purposes of a prospectus filing under Part 4, an issuer's principal regulator is the securities regulatory authority or regulator of the jurisdiction in which
 - (a) the issuer's head office is located as of the determination date, if the issuer is not an investment fund, or
 - (b) the investment fund manager's head office is located as of the determination date, if the issuer is an investment fund.

⁶ This list is based on the list that is currently used in the MRRS policy 43-201 with New Brunswick added and Ontario removed.

- (3) Despite subsection (2), if the jurisdiction referred to in paragraph (2)(a) or (b) is not a participating principal jurisdiction, the principal regulator for the issuer is the securities regulatory authority or regulator in the participating principal jurisdiction with which the issuer has the most significant connection as of the determination date.

2.5 Principal regulator for registration

For the purposes of Part 5, the principal regulator

- (a) for a person or company, other than an individual, is the securities regulatory authority or regulator of the jurisdiction in which the person or company's head office is located, and
- (b) for an individual is the securities regulatory authority or regulator of the jurisdiction in which the individual's working office is located.

2.6 Notice of principal regulator for registration

- (1) As soon as practicable after relying on an exemption under Part 5, the person or company must file a completed Form 11-101F1.
- (2) Subsection (1) does not apply if the person or company is required to file a completed Form 31-101F1 or Form 31-101F2 under NI 31-101.

2.7 Notice of change of principal regulator for registration

- (1) A person or company relying on Part 5 must file a completed Form 11-101F1, as soon as practicable, if
 - (a) the person or company, other than an individual, changes its head office to another principal jurisdiction, or
 - (b) the location of the individual's working office changes to another principal jurisdiction.
- (2) Subsection (1) does not apply if the person or company is required to file a completed Form 31-101F2 under NI 31-101.

2.8 Administrative change of principal regulator

Despite sections 2.1, 2.4 and 2.5, if the person or company receives written notice from a securities regulatory authority or regulator that specifies a principal regulator for the person or company, the principal regulator specified in the notice is the principal regulator for the person or company as of the later of

- (a) the date the person or company receives the notice, and
- (b) the effective date specified in the notice, if any.

PART 3 CONTINUOUS DISCLOSURE EXEMPTION

3.1 Application - This Part does not apply to an issuer that is a reporting issuer in Ontario and

- (a) an investment fund, if the investment fund manager's head office is located in Ontario, or
- (b) not an investment fund, if the reporting issuer's head office is located in Ontario.

3.2 Continuous disclosure exemption

- (1) If the local jurisdiction is a non-principal jurisdiction, a CD requirement does not apply to a reporting issuer if the issuer
 - (a) files with or delivers to the non-principal regulator, at the same time and in the same manner, any document filed or delivered to the principal regulator for the purpose of the CD requirement in the principal jurisdiction or under an exemption from the CD requirement in the principal jurisdiction,
 - (b) pays the fee that would otherwise apply to the filing under the CD requirement unless no document is required to be filed under paragraph (a),
 - (c) delivers to its securityholders in the local jurisdiction, at the same time and in the same manner, any document delivered to its securityholders in the principal jurisdiction for the purpose of the CD requirement in the principal jurisdiction or under an exemption from the CD requirement in the principal jurisdiction, and
 - (d) disseminates in the local jurisdiction, at the same time and in the same manner, any information that it disseminates in the principal jurisdiction for the purpose of the CD requirement in the principal jurisdiction or under an exemption from the CD requirement in the principal jurisdiction.
- (2) If an issuer's principal jurisdiction is British Columbia and the issuer does not comply with MI 52-110 because it relies on the exemption under subsection (1), the issuer must disclose in the information it provides under BCI 52-509 that it is applying the audit committee rule that applies in British Columbia and that the rule differs from the audit committee rule in jurisdictions other than British Columbia.

3.3 Meaning of independence in NI 58-101

If an issuer's principal jurisdiction is British Columbia and the issuer applies the test for independence in section 1.2(2)(a) of NI 58-101, the issuer must disclose in the information it provides under NI 58-101 that it is applying the test of independence for directors that applies in British Columbia and that test differs from the test of independence for directors that applies in jurisdictions other than British Columbia.

PART 4 PROSPECTUS-RELATED EXEMPTIONS⁷

4.1 Application - This Part does not apply to an issuer that is

- (a) an investment fund, if the investment fund manager's head office is located in Ontario, or
- (b) not an investment fund, if the reporting issuer's head office is located in Ontario.

4.2 National prospectus rules exemption

If the local jurisdiction is a non-principal jurisdiction, a requirement in the national prospectus rules does not apply to an issuer filing a preliminary prospectus and prospectus if

- (a) the issuer files the preliminary prospectus and prospectus with the principal regulator,
- (b) the principal regulator issues a receipt for the preliminary prospectus and prospectus filed,
- (c) if applicable, the issuer files an amendment to the preliminary prospectus or amendment to the prospectus with the principal regulator,
- (d) if applicable, the principal regulator issues a receipt for any amendment to the preliminary prospectus or amendment to the prospectus filed, and
- (e) the issuer files or delivers in the local jurisdiction any document filed or delivered in the principal jurisdiction under the requirement of the principal jurisdiction.

4.3 Local prospectus-related exemption

- (1) This section does not apply to a mutual fund unless its securities are listed on an exchange or quoted on an over-the-counter market.
- (2) If the local jurisdiction is a non-principal jurisdiction, the local prospectus-related requirements do not apply to an issuer filing a preliminary prospectus and prospectus if
 - (a) the issuer files the preliminary prospectus and prospectus with the principal regulator under the long form rule,
 - (b) the principal regulator issues a receipt for the preliminary prospectus and prospectus,

⁷ We refer the reader to s. 4.1 of Companion Policy 11-101 for an explanation of the effect of the exemptions in sections 4.1 and 4.2 of the instrument.

- (c) if applicable, the issuer files an amendment to the preliminary prospectus or amendment to the prospectus with the principal regulator,
- (d) if applicable, the principal regulator issues a receipt for the amendment to the preliminary prospectus or amendment to the prospectus, and
- (e) the issuer files or delivers in the local jurisdiction any document filed or delivered in the principal jurisdiction under the long form rule.

PART 5 REGISTRATION-RELATED EXEMPTIONS

5.1 Application - This Part does not apply

- (a) to a person or company, other than an individual, if the person or company's head office is located in Ontario, and
- (b) to an individual, if the individual's working office is located in Ontario.

5.2 Mobility trading exemption - dealer

If the local jurisdiction is a non-principal jurisdiction, the registration requirement does not apply to a person or company if the person or company

- (a) is registered as a dealer in its principal jurisdiction,
- (b) is trading with or for an eligible client,
- (c) has 10 or less eligible clients in the local jurisdiction,
- (d) has in aggregate \$10,000,000 or less in assets under management for clients referred to in paragraph (c), and
- (e) complies with section 5.6.

5.3 Mobility advising exemption – unrestricted adviser

If the local jurisdiction is a non-principal jurisdiction, the registration requirement does not apply to a person or company if the person or company

- (a) is registered as an unrestricted adviser in its principal jurisdiction,
- (b) is advising an eligible client,
- (c) has 10 or less eligible clients in the local jurisdiction,
- (d) has in aggregate \$10,000,000 or less in assets under management for clients referred to in paragraph (c), and
- (e) complies with section 5.6.

5.4 Mobility trading exemption – individual

If the local jurisdiction is a non-principal jurisdiction, the registration requirement does not apply to an individual if

- (a) the individual is registered in its principal jurisdiction to trade on behalf of a dealer,
- (b) the dealer is registered in its principal jurisdiction,
- (c) in the local jurisdiction, the individual is trading with or on behalf of five or less eligible clients of the dealer,
- (d) the dealer has in aggregate \$5,000,000 or less in assets under management for eligible clients whom the individual referred to in paragraph (c) trades, and
- (e) the individual complies with section 5.6.

5.5 Mobility advising exemption – individual

If the local jurisdiction is a non-principal jurisdiction, the registration requirement does not apply to an individual if

- (a) the individual is registered in its principal jurisdiction to advise on behalf of an unrestricted adviser,
- (b) the unrestricted adviser is registered in its principal jurisdiction,
- (c) in the local jurisdiction, the individual is advising five or less eligible clients of the unrestricted adviser,
- (d) the unrestricted adviser has in aggregate \$5,000,000 or less in assets under management for eligible clients whom the individual referred to in paragraph (c) advises, and
- (e) the individual complies with section 5.6.

5.6 Conditions for mobility exemptions

For the purposes of paragraphs 5.2(e), 5.3(e), 5.4(e) and 5.5(e), the person or company must

- (a) disclose to the eligible clients in the local jurisdiction, before it relies on an exemption in Part 5, that the person or company
 - (i) is exempt from the registration requirement in the local jurisdiction, and

- (ii) is not subject to requirements otherwise applicable under local securities legislation,
- (b) act fairly, honestly and in good faith in the course of its dealings with the eligible clients, and
- (c) not advertise for or solicit new clients in the local jurisdiction, except for trades made in reliance on another registration exemption in the local jurisdiction.

5.7 MI 81-104 exemption⁸

If the local jurisdiction is a non-principal jurisdiction, Part 4 of MI 81-104 does not apply to a mutual fund restricted individual, a principal distributor or a participating dealer if the mutual fund restricted individual, principal distributor or participating dealer is registered in its principal jurisdiction.

5.8 Notification

A person or company must, before relying on section 5.2, 5.3, 5.4, 5.5 or 5.7, give written notice of the exemption that it intends to rely on to the securities regulatory authority in the local jurisdiction.

⁸ Part 4 of Multilateral Instrument 81-104 *Commodity Pools* contains proficiency and supervisory requirements for mutual fund dealers, salespersons and distributors. These requirements do not apply in British Columbia.

Appendix A

Local prospectus-related requirements

British Columbia:

Securities Act: sections 63(2), and 63(3)

Securities Rules: sections 98, 107, 111, 112, 114, 115, 118, and 119

The requirement in the following sections that a preliminary prospectus and prospectus be in the required form:

Securities Act, sections 61(2) and 62 and *Securities Rules*, sections 99, 122(b), 122(c), 123(b) and 123(c)

Alberta:

Securities Act: sections 111 and 113(2)

Securities Rules: sections 77(1)(a) - (d), 85(3), 85(4), 86, 87, 93, 94, 97, 98, 103, 105, 107, 108, 109, 111, 114, 118, and 119

Saskatchewan:

The Securities Act, 1988: sections 59, 61(1)(b), and 61(2)

The Securities Regulations: sections 66 - 72, 75, 78 - 93, and 95

Manitoba:

Securities Act: sections 39, 41, 43, 44, 45, 46, 47, 48, 49, and 53(1)

Securities Regulation: sections 8 to 37

The requirement in the following sections that a preliminary prospectus and prospectus be in the required form:

Securities Act, section 40

Québec:

Securities Act: sections 13 (paragraph 1 excluding certificate requirements), 18.1, 19 (paragraph 2), 20 (paragraph 2) and 64

Securities Regulations: sections 5, 9, 10, 13, 15, 16, 17, 27, 34, 37.1, 40, 41, 50, 53, 63, 77 – 83, and 93

Regulations: Q-2, Q-3, Q-4, Q-11 and Q-18

New Brunswick:

Securities Act: sections 72 and 74(4)

Nova Scotia:

Securities Act: sections 65(1) and 65(2)

General Securities Rules: sections 86, 87, 88, 89, 91, 92, 93, 94, 99, 101, 102, 103, 105, 107, 110, 111, 112 and 117

The requirement in the following sections that a preliminary prospectus and prospectus be in the required form:

Securities Act, sections 59 and 61 and *General Securities Rules*, sections 95 and 116

Prince Edward Island:

Securities Act: sections 8(2) and 8.1(2)

Securities Act Regulations: sections 2, 8 and 10

Newfoundland and Labrador:

Securities Act: sections 55(1), and 61

Securities Regulations: section 48

Yukon:

Securities Act: sections 22(1), 24(4) and 25(5)

Northwest Territories:

Securities Act: sections 27(2), 29(4) and 30(5)

Nunavut:

Securities Act: sections 27(2), 29(4) and 30(5)

Appendix B

Modifications to OSC Rule 41-501

For the purposes of the definition of ‘long form rule’, a reference in Ontario Securities Commission Rule 41-501 to

“Commission” means the securities regulatory authority in each jurisdiction;

“Director” means,

- (a) except in Form 41-502F2, the regulator of the principal jurisdiction, and
- (b) in Form 41-502F2, the regulator of each jurisdiction;

“Form 40 to the Regulation” means Form 51-102F6 *Statement of Executive Compensation*;

“Ontario” means the local jurisdiction;

“Ontario securities law” means the securities laws in each jurisdiction;

“section 57(1) of the Act” means,

- (a) in British Columbia, section 67(1) of the *Securities Act*,
- (b) in Alberta, section 114(1) or 115(1) of the *Securities Act*, as the case may be,
- (c) in Saskatchewan, section 58 of *The Securities Act, 1988*,
- (d) in Manitoba, sections 40(2) and 55 of the *Securities Act*,
- (e) in Québec, sections 25, 26 and 27 of the *Securities Act*,
- (f) in New Brunswick, sections 76(1), 76(3) and 77(1) of the *Securities Act*,
- (g) in Nova Scotia, section 62(1) of the *Securities Act*,
- (h) in Prince Edward Island, sections 8.3 and 8.4 of the *Securities Act*,
- (i) in Newfoundland and Labrador, section 58 of the *Securities Act*,
- (j) in Yukon, section 22(5) of the *Securities Act*,
- (k) in Northwest Territories, section 27(4) of the *Securities Act*, and
- (l) in Nunavut, section 27(4) of the *Securities Act*;

“section 62 of the Act”,

- (a) means in British Columbia, section 71 of the *Securities Act*,
- (b) means in Alberta, section 121 of the *Securities Act*,
- (c) means in Saskatchewan, section 71 of the *Securities Act*,
- (d) means in Manitoba, section 56 of *The Securities Act*,
- (e) means in Québec, sections 33, 34 and 35 of the *Securities Act*,
- (f) means in New Brunswick, section 78 of the *Securities Act*,
- (g) means in Nova Scotia, section 67 of the *Securities Act*,
- (h) means in Prince Edward Island, section 8.9 of the *Securities Act* ,
- (i) means in Newfoundland and Labrador, section 63 of the *Securities Act*,
- (j) in Yukon, does not apply,
- (k) in Northwest Territories, does not apply, and
- (l) in Nunavut, does not apply;

“section 67 of the Act”,

- (a) means in British Columbia, section 80 of the *Securities Act*,
- (b) means in Alberta, section 125 of the *Securities Act*,
- (c) means in Saskatchewan, section 67 of the *Securities Act*,
- (d) means in Manitoba, section 38(4) of *The Securities Act*,
- (e) means in Québec, section 24 of the *Securities Act*,
- (f) means in New Brunswick, section 84 of the *Securities Act*,
- (g) means in Nova Scotia, section 72 of the *Securities Act*,
- (h) means in Prince Edward Island, section 8.11 of the *Securities Act*,
- (i) means in Newfoundland and Labrador, section 68 of the *Securities Act*,
- (j) in Yukon, does not apply,

- (k) in Northwest Territories, does not apply, and
- (l) in Nunavut, does not apply.

COMPANION POLICY 11-101CP
Principal Regulator System

PART 1 GENERAL

1.1 Purpose

- (1) **General** - Multilateral Instrument 11-101 *Principal Regulator System* (the Instrument), together with related instruments, policies and administrative processes, is intended to let an issuer or registrant seek and obtain many types of regulatory approvals in all Canadian jurisdictions by dealing with its principal regulator. Ontario has not adopted the Instrument but will continue to act as a principal regulator under the mutual reliance review systems established by the CSA.
- (2) **For issuers** - The Instrument provides issuers with exemptions in non-principal jurisdictions from most prospectus disclosure and continuous disclosure requirements. Many of those requirements are in national instruments, which are uniform across Canada. Some of the requirements are in multilateral or local instruments, and so are not uniform in every jurisdiction.

The exemptions are not available to an issuer that is

- (a) not an investment fund and has its head office in Ontario, or
- (b) is an investment fund, if the investment fund manager's head office is in Ontario.

The goal of the Instrument is to permit an issuer to deal with its principal regulator when it files a prospectus or continuous disclosure document in multiple jurisdictions. The issuer still has to comply with filing, delivery, fee and some other requirements of each non-principal regulator but will only have to look at the disclosure requirements that apply in its principal jurisdiction, as applied by its principal regulator.

The exemptions are based on an issuer being subject to the prospectus-related and continuous disclosure requirements of its principal jurisdiction, but are not conditional on compliance with those requirements. Non-principal regulators will generally rely on the principal regulator to monitor and enforce compliance as appropriate. However, if a non-principal regulator sees misconduct and considers enforcement action necessary to protect local investors or markets, it can still bring an enforcement action on the basis of its public interest jurisdiction or any violations of local laws, like prohibitions against misrepresentation or fraud. No provision in the Instrument should be interpreted as limiting the competence of, or access to, a local regulator or tribunal.

(3) For registrants –

- (a) The Instrument provides an exemption from the registration requirement for a firm or individual to continue dealing with a client that moves to a different jurisdiction, and with family members of that client. As long as the registrant is

registered in its principal jurisdiction and has a minimal number of clients and minimal amount of assets under management in the other jurisdiction, the registrant will not have to become registered in the other jurisdiction. Because Ontario has not adopted the Instrument, the exemption is not available to a registrant in another jurisdiction whose clients move to Ontario. Under the Instrument, the exemption is not available to a firm with a head office in Ontario or to an individual with a working office in Ontario.

- (b) The Instrument also provides an exemption from the proficiency and supervisory requirements that apply in respect of trades in securities of a commodity pool if a mutual fund restricted individual, principal distributor or participating dealer is registered in its principal jurisdiction.

1.2 Applications for relief

Impact on MRRS - Parts 3 and 4 of the Instrument provide exemptions from the CD requirements and certain prospectus-related requirements that apply to an issuer in its non-principal jurisdictions, provided generally that the issuer, among other things, files the prospectus or continuous disclosure document with the non-principal regulator.

These exemptions also eliminate the need for an issuer to obtain relief from prospectus disclosure or continuous disclosure requirements in non-principal jurisdictions. This means that an issuer does not have to apply under National Policy 12-201 *Mutual Reliance Review System for Exemptive Relief Applications* (NP 12-201)¹ or Part 8 or 9 of National Policy 43-201 *Mutual Reliance Review System for Prospectuses* (NP 43-201)² unless it files a prospectus in Ontario or is a reporting issuer in Ontario. Instead, the issuer will be able to make a local application with its principal regulator, and rely on the exemptions in Part 3 or 4 or section 5.6 of the Instrument in its non-principal jurisdictions. The process for pre-filings under Part 9 of NP 43-201 remains the same.

If an issuer files a prospectus in Ontario and its head office (or that of the investment fund manager) is not in Ontario, the issuer must make any application for relief with its principal regulator and the Ontario Securities Commission (OSC) under NP 12-201 or NP 43-201. If the issuer's or the investment fund manager's head office is in Ontario, the exemptions in the Instrument are not available and the issuer must apply for discretionary relief under NP 12-201 or NP 43-201 in each jurisdiction in which the issuer is filing the prospectus.

If an issuer is a reporting issuer in Ontario and its head office (or that of the investment fund manager) is not in Ontario, the issuer must make any application for relief about a continuous disclosure filing with its principal regulator and the OSC under NP 12-201. If the issuer's or the investment fund manager's head office is in Ontario, the exemptions in the Instrument are not available and the issuer must apply for discretionary relief under

¹ In Québec, NP 12-201 is adopted as Notice 12-201 *Relating to the Mutual Review Reliance System for Exemptive Relief Applications*.

² In Québec, NP 43-201 is adopted as Notice 43-201 *Relating to the Mutual Review Reliance System for Prospectuses and Annual Information Forms*.

NP 12-201 in each jurisdiction in which the issuer is making a continuous disclosure filing.

1.3 Language of documents

When filing in Québec, a person must comply with linguistic obligations and rights prescribed by Québec law, including specific obligations (e.g. section 40.1) in the Québec *Securities Act*.

1.4 Requirements not covered by exemptions

The Instrument does not exempt reporting issuers in Québec from having to comply with Québec Regulation Q-27 *Respecting Protection of Minority Securityholders in the Course of Certain Transactions*.

PART 2 PRINCIPAL REGULATOR

2.1 Participating principal jurisdictions

For the purposes of Parts 3 and 4 of the Instrument, an issuer must select its principal regulator from among the jurisdictions that are “participating principal jurisdictions”, as defined in the Instrument. The participating principal jurisdictions are the jurisdictions that have agreed to act as principal regulator for the continuous disclosure and prospectus exemptions in the Instrument. A market participant will have the same principal regulator under this Instrument and the relevant mutual reliance review system established by the CSA, except as noted below.

Because Ontario has not adopted this Instrument, it is not a participating principal jurisdiction for purposes of these exemptions and Ontario-based market participants cannot rely on the exemptions. However, the OSC will continue to act as a principal regulator under NP 43-201 and NP 12-201.

An issuer with a head office outside of Ontario that uses the OSC as its principal regulator under NP 43-201 and NP 12-201 (for example, a foreign issuer listed on the TSX) could select another jurisdiction to act as principal regulator under the Instrument and rely on the exemptions in the Instrument. The effect would be that the OSC would still be the issuer’s principal regulator under NP 43-201 or NP 12-201, but the other jurisdiction selected by the issuer as principal regulator under the Instrument would be the only non-principal jurisdiction under NP 43-201 or NP 12-201.

An issuer with a principal regulator other than the OSC would continue to comply with Ontario securities law to the extent it participates in Ontario’s capital market, and would continue, when necessary, to file any relief applications with the OSC as its only non-principal regulator under NP 43-201 or NP 12-201.

Prince Edward Island, Newfoundland and Labrador, Yukon, Northwest Territories and Nunavut do not currently act as principal regulator under NP 43-201. However, they will act as principal regulator for the prospectus exemptions in Part 4 of the Instrument if

Ontario is the principal regulator for the prospectus filing under NP 43-201. The OSC will issue the decision document under NP 43-201, evidencing the receipts of all jurisdictions where the prospectus is filed. The receipt for Prince Edward Island, Newfoundland and Labrador, Yukon, Northwest Territories and Nunavut, evidenced by the decision document issued by Ontario, will be the principal jurisdiction receipt needed for the exemptions in the non-principal jurisdictions under the Instrument.

2.2 Determination of principal regulator

- (1) **For issuers** - If an issuer's or investment fund manager's head office is not in a participating principal jurisdiction, the issuer must determine a principal regulator based on the participating principal jurisdiction that it has the most significant connection with.

Refer to section 3.2 in NP 43-201 for further guidance on determining a principal regulator.

- (2) **For registration** – The principal regulator for a firm is determined by the location of its head office. Under NI 31-101, a firm's principal regulator is determined using the most significant connection, with the head office as the primary indicator. If a person or company wishes to confirm its determination of principal regulator (e.g., because it determines its principal jurisdiction is different than under NI 31-101), it should follow the process set out in section 3.2(7) in National Policy 31-201 *National Registration System* (NP 31-201).

2.3 Notice of principal regulator

- (1) **Initial notice – exemptions from continuous disclosure requirements** – Under section 2.2 of the Instrument, a reporting issuer relying on an exemption in Part 3 of the Instrument must file a notice in Form 11-101F1 at the same time the issuer files its first filing under Part 3. This notice sets out who the reporting issuer's principal regulator is for the purposes of the exemptions from continuous disclosure requirements in the Instrument. The notice should be filed on SEDAR under the category 'Notice of Principal Regulator under Multilateral Instrument 11-101'.
- (2) **Initial notice – registration exemption** – If a person or company is required to file a Form 11-101F1 under section 2.6 of the Instrument, it should immediately file the form with its principal regulator and non-principal regulators. It may send it by e-mail to the following addresses:

British Columbia
 Alberta
 Saskatchewan
 Manitoba
 Québec
 New Brunswick
 Nova Scotia
 Prince Edward Island
 Newfoundland & Labrador

registration@bcsc.bc.ca
 nrs@seccom.ab.ca
 dmurrison@sfsc.gov.sk.ca
 securities@gov.mb.ca
 inscription@lautorite.qc.ca
 nrs@nbsc-cvmnb.ca
 nrs@gov.ns.ca
 mlgallant@gov.pe.ca
 skmurphy@gov.nl.ca

Yukon Territory
Northwest Territories
Nunavut

corporateaffairs@gov.yk.ca
ann_burry@gov.nt.ca
svangenne@gov.nu.ca

- (3) **Change in principal regulator – continuous disclosure exemptions** – If a reporting issuer's principal regulator changes because the issuer's head office changes to another participating principal jurisdiction or the investment fund manager's head office changes to another participating principal jurisdiction, the issuer must file a new Form 11-101F1. This notice must be filed on SEDAR under the category 'Notice of Principal Regulator under Multilateral Instrument 11-101' at the same time as the issuer's next filing after the change takes place.
- (4) **Change in principal regulator – registration exemption** – If a person or company's principal regulator changes because the firm's head office or the individual's working office changes to another jurisdiction, the person or company should immediately file the new Form 11-101F1 under section 2.6(1) of the Instrument with its principal regulator and non-principal regulators by e-mail to the addresses set out in section 2.3(2) of this Policy. This is only required if the person or company has not already filed a Form 31-101F2 *Notice of Change* in accordance with NI 31-101.
- (5) **Change in principal regulator – by securities regulatory authority or regulator** – If a person or company's principal or non-principal regulator disagrees with a person or company's determination of principal regulator, the regulator may, under section 2.8 of the Instrument, advise the person or company that another regulator will be its principal regulator for the purposes of the Instrument. There is a discussion of circumstances when this may occur in section 3.3 of NP 31-201 and section 3.5 of NP 43-201.

A person or company may request that a regulator change the person or company's principal regulator under section 2.8 of the Instrument if the person or company originally selects its principal regulator based on the jurisdiction it has the most significant connection with, and that jurisdiction changes over time. The request should be made in writing and include the reasons for the change.

PART 3 CONTINUOUS DISCLOSURE EXEMPTIONS

3.1 Filing copies of documents

An issuer relying on an exemption in Part 3 of the Instrument must file the same documents in a non-principal jurisdiction as it has to file in the principal jurisdiction except documents related to an application for discretionary relief. If the issuer is not relying on the exemption in the non-principal jurisdiction (for example, if the non-principal jurisdiction does not have a particular CD requirement), the issuer does not have to file the document in that non-principal jurisdiction.

An issuer relying on an exemption in Part 3 of the Instrument must also pay to the non-principal regulator the fee that would otherwise apply to the filing under the CD requirement except if no document is required to be filed with the principal regulator

(e.g., the issuer is not required to file financial statements under a discretionary order in the principal jurisdiction).

Section 3.2(2) of the Instrument requires an issuer that relies on the exemption in section 3.2(1) of the Instrument and whose principal jurisdiction is British Columbia to make certain disclosures about the audit committee rule that it applies. The additional disclosure is not required if the issuer complies with MI 52-110 under section 3(a) of BCI 52-509.

PART 4 PROSPECTUS-RELATED EXEMPTIONS

4.1 Long form prospectus exemption

An issuer relying on the exemption in section 4.3 for a long form prospectus may also rely on section 4.2 for an exemption from requirements in a national prospectus rule that applies to the long form prospectus (e.g., NI 52-107).

4.2 Prospectus-related requirements not covered by exemptions

The Instrument exempts an issuer filing a prospectus from the local prospectus-related requirements set out in Appendix A to the Instrument and from requirements in the national prospectus rules. Part 4 of the Instrument does not exempt an issuer from certain local statutory requirements in connection with a prospectus offering. For example, we have not provided exemptions from the following requirements that form the basis for the statutory rights and remedies relating to prospectus offerings in securities legislation:

- (a) the requirement to file a prospectus or amendment to a prospectus that is receipted in order to distribute securities, which is the basis for a purchaser's right of action for misrepresentation,
- (b) the requirement to deliver a prospectus to a purchaser under the offering, after which the purchaser has a right to withdraw from the purchase, and
- (c) the requirements to include certificates in the prospectus and file consents of experts, which trigger statutory rights of action.

The significant requirements in each jurisdiction that are not included in the exemptions in Part 4 of the Instrument are listed in Appendix A to this Policy.

4.3 Application of prospectus policies

The Instrument does not provide an exemption from prospectus policies because it is not necessary to do so (policies can only describe or interpret requirements, not impose requirements). The non-principal regulators do not intend to apply local policies relating to prospectus filings in the non-principal jurisdictions. The principal regulator will continue to apply national policies relating to prospectuses on behalf of the non-principal regulators.

4.4 Notice that issuer is relying on exemption

An issuer relying on an exemption in Part 4 of the Instrument should indicate this in the cover letter to its preliminary prospectus.

4.5 Shelf and PREP prospectus supplements

The exemption in the Instrument that applies to national prospectus rules is available if, among other things, the issuer receives a receipt for its prospectus from its principal regulator. If the issuer is filing a prospectus supplement under either National Instrument 44-102 *Shelf Distributions* or National Instrument 44-103 *Post-Receipt Pricing*, the issuer does not receive a receipt for that supplement.

The issuer can still rely on the exemption in section 4.2 of the Instrument for a prospectus supplement if the issuer

- (a) received a receipt for the corresponding base shelf or PREP prospectus it filed, and
- (b) subsequently applies for, and obtains, an exemption from the prospectus supplement requirements in its principal jurisdiction that is evidenced by a discretionary order.

PART 5 REGISTRATION-RELATED EXEMPTIONS

5.1 Notice that person or company is relying on exemption

Under section 5.8 of the Instrument, a person or company must give prior notice to the securities regulatory authority in the local jurisdiction that it is relying on an exemption in Part 5. A person or company should indicate which exemption it is relying on in an e-mail sent to the e-mail addresses set out in Form 31-101F2 *Notice of Change* under NI 31-101. The requirement in section 5.8 of the Instrument is separate from the requirement in section 2.6 of the Instrument.

5.2 Interplay of mobility exemptions

Sections 5.2, 5.3, 5.4 and 5.5 of the Instrument provide separate exemptions for a dealer, unrestricted adviser or individual. If an individual employed by a dealer or unrestricted adviser is relying on the exemption for trading with or advising eligible clients in a local jurisdiction, the dealer or unrestricted adviser that employs the individual must either be registered as a dealer or unrestricted adviser, as applicable, in the local jurisdiction, or ensure that it also meets the terms of the mobility exemption.

If an individual can no longer rely on the exemption, then both the individual and the dealer or unrestricted adviser that employs the individual must apply for registration in the local jurisdiction if they want to continue to deal with eligible clients in the jurisdiction.

5.3 Multilateral Instrument 81-104 *Commodity Pools* Exemption

Section 5.7 of the Instrument provides an exemption from the commodity pool proficiency requirements, provided the mutual fund restricted individual, principal distributor or participating dealer is registered in its principal jurisdiction. As a result, a mutual fund restricted individual, principal distributor or participating dealer whose principal jurisdiction is British Columbia is exempt from the proficiency requirements under section 4.2 of MI 81-104.

Appendix A

Prospectus-related requirements not exempted under the instrument

British Columbia:

Securities Act: sections 61(1), 66 - 71, 79, 80, and 83

Securities Rules: sections 106 and 121

Alberta:

Securities Act: sections 110, 113(1), 114 - 117 and 119 - 122

Securities Rules: sections 85(1), 88, 92, 102, 104, 112, 113, 115, 116 and 117

Saskatchewan:

The Securities Act, 1988: sections 58, 60, 61(1)(a), and 62 - 80

The Securities Regulations: sections 76, 77, 94 and 97

Manitoba:

Securities Act: sections 37, 38, 40, 42, 50, 51, 52, 53, 56, 61, and 64

Québec:

Securities Act: sections 11, 13 (certificate requirements and paragraph 2), 14 - 17, 20 (paragraph 3), 21 - 39 and 40.1

Securities Regulations: sections 25, 31 [not yet in force], 32 [not yet in force], 33, 37 and 94 – 98.1

Regulation: Q-17 *Restricted Shares*

New Brunswick:

Securities Act: sections 71, 74(1), 74(2), 75 - 78, 82 - 85, 87, 88 and 194

New Brunswick Implementing Instrument 41-801, section 2.3

Nova Scotia:

Securities Act: sections 58, 62 - 64, 67, 71, 72 and 76

Securities Rules: sections 96 - 98

Prince Edward Island:

Securities Act: sections 8(1), 8.1(1) as this section relates to disclosure requirements, 8.3 - 8.7, 8.9 - 8.12 and 8.16

Newfoundland and Labrador:

Securities Act: sections 54, 57, 58 - 60, 62, 63, 66 - 69, 71 and 72

Yukon:

Securities Act: sections 22(5) and 23

Securities Regulation: section 14(1)

Northwest Territories:

Securities Act: sections 27(4) and 28

Nunavut:
Securities Act: sections 27(4) and 28

FORM 11-101F1

Notice of principal regulator under Multilateral Instrument 11-101

1. **Date:** _____

2. **Information about person or company**

SEDAR profile number (if applicable): _____

NRD # (if applicable): _____

Name: _____

Instructions:

(i) For a non-investment fund issuer, indicate the SEDAR profile number. For an investment fund issuer, indicate the SEDAR investment fund group profile number.

(ii) For a non-investment fund issuer, indicate the issuer's name. For an investment fund issuer, indicate the investment fund group name.

3. **Previous notice filed**

If the person or company has previously filed a Form 11-101F1, indicate the principal regulator determined in the previous notice: _____

4. **Determination of principal regulator**

The person or company has determined the securities regulatory authority or regulator in the following jurisdiction is its principal regulator: _____

5. **Reasons for determination of principal regulator**

The person or company determined its principal regulator

- (a) based on the location of its head office (for a non-investment fund issuer, dealer or unrestricted adviser), investment fund manager's head office (for an investment fund), or working office (for an individual) (check box), or

☐

- (b) on the following basis [provide details]:

6. Change in determined principal regulator

If this PR notice is being filed in connection with a change in the person or company's principal regulator, provide details of the basis for determining that the principal regulator should change.

Appendix A

Amendment to National Policy 31-201 *National Registration System*

PART 1 AMENDMENT TO NATIONAL POLICY 31-201

- 1.1 **Amendment** – National Policy 31-201 *National Registration System* is amended in subsection 6.3(1) by striking the phrase “five business days” and replacing it with “two business days”.

PART 2 EFFECTIVE DATE

- 2.1 **Effective Date** - This amendment is effective ●.

Appendix B

NATIONAL POLICY 43- 201 MUTUAL RELIANCE REVIEW SYSTEM FOR PROSPECTUSES

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APPENDIX A Materials Required to be Filed under National Policy 43-201

APPENDIX B Examples of Applications Dealt With under National Policy 43-201

NATIONAL POLICY 43- 201
MUTUAL RELIANCE REVIEW SYSTEM FOR PROSPECTUSES¹

PART 1 OVERVIEW AND APPLICATION

- 1.1 Scope** - This Policy describes the practical application of mutual reliance concepts set out in the MRRS MOU relating to the filing and review of prospectuses, including investment fund and shelf prospectuses, amendments to prospectuses and related materials.
- 1.2 Objective** - Under the MRRS, a designated securities regulatory authority or regulator, as applicable, acts as the principal regulator for all materials relating to a filer. This will enable participating principal regulators to develop greater familiarity with their respective filers, which will enhance the efficiency and quality of their review of materials filed under the MRRS.
- 1.3 Application of Local Requirements** - Although the filer will generally deal only with its principal regulator in connection with materials filed under the MRRS, the local securities legislation and local securities directions in each jurisdiction in which the materials are filed are applicable to the materials, except to the extent that MI 11-101 provides relief from those local requirements.

PART 2 DEFINITIONS AND INTERPRETATION

2.1 Definitions - In this Policy,

“amendment” means an amendment to a preliminary prospectus or prospectus;

“application” means a request for discretionary relief from or approval under securities legislation or securities directions, but does not include a waiver application or pre-filing;

“applications policy” means National Policy 12-201, *Mutual Reliance Review System for Exemptive Relief Applications*;

“CSA committee” means the Mutual Reliance Review System Committee of the Canadian Securities Administrators;

“local securities directions” means, for the local jurisdiction, the instruments listed in Appendix A of National Instrument 14-101, *Definitions* opposite the name of the local jurisdiction;

“local securities legislation” means, for the local jurisdiction, the statute and other instruments listed in Appendix B of National Instrument 14-101, *Definitions* opposite the name of the local jurisdiction;

¹ This document has been blacklined to show changes from the version of NP 43-201 published for comment January 7, 2005 in connection with proposed changes to National Instrument 44-101 *Short Form Prospectus Distributions*

“local securities regulatory authority” means, for the local jurisdiction, the securities commission or similar regulatory authority listed in Appendix C of National Instrument 14-101 *Definitions* opposite the name of the local jurisdiction;

“long form prospectus” includes a simplified prospectus and annual information form for a mutual fund;

“materials” means the documents and fees referred to in Appendix “A” to this Policy, as amended from time to time, for each category of filing;

“MRRS MOU” means the Memorandum of Understanding relating to the Mutual Reliance Review System signed as of October 14, 1999;

“MI 11-101” means Multilateral Instrument 11-101, *Principal Regulator System*;

“NI 44-101” means National Instrument 44-101, *Short Form Prospectus Distributions*;

“NI 81-101” means National Instrument 81-101, *Mutual Fund Prospectus Disclosure*;

“OSC 41-501” means Ontario Securities Commission Rule 41-501, *General Prospectus Requirements*;

“pre-filing” means a consultation with one or more of the securities regulatory authorities regarding the interpretation or application of securities legislation or securities directions to a particular transaction or proposed transaction that is the subject of, or is referred to in, materials, if the consultation is initiated before the filing of those materials;

“preliminary prospectus amendment” means an amendment to a preliminary prospectus;

“preliminary prospectus amendment MRRS decision document” means a MRRS decision document issued for a preliminary prospectus amendment;

“prospectus amendment” means an amendment to a prospectus;

“prospectus amendment MRRS decision document” means a MRRS decision document issued for a prospectus amendment;

“Q-28” means Policy Statement No. Q-28, *General Prospectus Requirements* of the Autorité des marchés financiers;

“renewal shelf prospectus” means a short form prospectus that is prepared and filed in accordance with the shelf prospectus system to replace a short form prospectus previously filed by the issuer under the shelf prospectus system for which a final receipt or final MRRS decision document was issued;

“requested regulator” means a participating principal regulator, other than the principal regulator determined in accordance with section 3.2, which a filer requests under subsection 3.4 to act as its principal regulator;

“seasoned prospectus” means a pro forma or preliminary prospectus of an issuer, if it is filed within two years of the date that a final MRRS decision document, or receipt, was issued to the issuer for a prospectus;

“securities directions” means the instruments listed in Appendix A of National Instrument 14-101, *Definitions*;

“securities legislation” means the statutes and other instruments listed in Appendix B of National Instrument 14-101, *Definitions*;

“securities regulatory authorities” means the securities commissions and similar regulatory authorities listed in Appendix C of National Instrument 14-101, *Definitions*;

“SEDAR” has the meaning ascribed to that term in National Instrument 13-101 System for Electronic Document Analysis and Retrieval;

“shelf prospectus system” means the system for the distribution of securities using a shelf prospectus as contemplated in National Instrument 44-102, *Shelf Distributions*;

“short form prospectus system” means the system for the distribution of securities as contemplated in NI 44-101; and

“waiver application” means a request for discretionary relief from securities legislation or securities directions, if the relief, if granted, would be evidenced by the issuance of a MRRS decision document under this Policy.

2.2 Interpretation - Unless otherwise defined herein, terms used in this Policy that are defined or interpreted in the MRRS MOU should be read in accordance with the MRRS MOU.

PART 3 PRINCIPAL REGULATOR

3.1 Participating Principal Regulators - As of the date of this Policy, the securities regulatory authorities of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick and Nova Scotia have agreed to act as principal regulator for materials filed under this Policy.

3.2 Determination of Principal Regulator

- (1) It is the responsibility of the filer to determine its principal regulator. Unless changed or redesignated under section 3.3, 3.4 or 3.5, the principal regulator for a filer is determined in accordance with the following criteria:
 - (a) For filers, other than investment funds, whose head office is in a jurisdiction in which a participating principal regulator is located, the principal regulator is the local securities regulatory authority or regulator in the jurisdiction in which the head office is located.

- (b) For filers, other than investment funds, whose head office is not in a jurisdiction in which a participating principal regulator is located, the filer should select the participating principal regulator with which the filer has the next most significant connection to act as the principal regulator. The next most significant connection should be determined by reference to the factors listed in subsection 3.4(1).
- (c) For filers that are investment funds whose manager's head office is in a jurisdiction in which a participating principal regulator is located, the principal regulator is the local securities regulatory authority or regulator in the jurisdiction in which the manager's head office is located.
- (d) For filers that are investment funds whose manager's head office is not in a jurisdiction in which a participating principal regulator is located, the filer should select the participating principal regulator with which the filer has the next most significant connection to act as the principal regulator. The next most significant connection should be determined by reference to the factors listed in subsection 3.4(1).
- (2) For a particular filing of materials, if the filer has incorrectly identified a non-principal regulator as the principal regulator, that non-principal regulator will decline to act as principal regulator and will notify the filer.
- (3) The principal regulator determined in accordance with section 3.2 is the principal regulator for all materials filed under this Policy unless the principal regulator has been changed under section 3.3, 3.4 or 3.5.

3.3 Automatic Change of Principal Regulator - If the location of the head office of the filer or in the case of an investment fund, the manager, is changed after the determination of the principal regulator in accordance with section 3.2, the principal regulator will change automatically to the local securities regulatory authority or regulator in the jurisdiction to which the head office has been moved if the new head office is in a jurisdiction in which a participating principal regulator is located. In all other circumstances the principal regulator can only be changed in accordance with section 3.4 or 3.5.

3.4 Discretionary Change of Principal Regulator Applied for by Filer

- (1) A filer may apply for a change of principal regulator if it believes that its principal regulator is not the appropriate principal regulator. However, a change of a filer's principal regulator based on factors other than the head office criteria set out in section 3.2 will generally not be permitted unless exceptional circumstances justify the change. The factors that may be considered in assessing an application for a change of a filer's principal regulator include:
 - (a) location of management;
 - (b) location of assets and operations; and

- (c) location of filer's trading market or quotation system in Canada, or, if the filer's securities are not traded or quoted on a trading market or quotation system in Canada, location of filer's securityholders.
- (2) If a filer applies for a change of its principal regulator, the application should be submitted in paper form to the principal regulator and the requested regulator at least thirty days in advance of any filing of materials under this Policy to permit adequate time for staff of the relevant securities regulatory authorities to consider and resolve the application. If the application is not resolved before the date of any filing of materials, the principal regulator will continue to act as principal regulator for that filing, and the change requested, if granted, will relate to materials filed after the issuance of the final MRRS decision document.
- (3) The application should address the basis for the designation of the filer's principal regulator in accordance with section 3.2, and should set forth the reasons for the requested regulator to act as principal regulator with regard to the factors specified in subsection (1) and any other relevant factors. The filer will be given an opportunity to respond to concerns or comments raised by the relevant securities regulatory authorities.
- (4) If an application is denied, the principal regulator will provide written reasons for the denial to the filer.

3.5 Discretionary Change of Principal Regulator Proposed by the Participating Principal Regulators

- (1) The participating principal regulators may determine that it would be preferable for a participating principal regulator other than the securities regulatory authority acting as principal regulator to act as a filer's principal regulator. This determination will generally only be made if changing the principal regulator of a filer would result in greater administrative and regulatory efficiencies with regard to the factors specified in subsection 3.4(1) and other relevant factors. The participating principal regulators will not redesignate a filer's principal regulator after materials have been filed and before a final MRRS decision document has been issued for the materials.
- (2) If the participating principal regulators propose to change a filer's principal regulator, the principal regulator will notify the filer in writing of the proposed change, and will identify the reasons for the proposed change. The redesignated principal regulator will become the filer's principal regulator thirty days after the date of the notice unless the filer objects in writing to the proposed change. The filer, the principal regulator and the proposed principal regulator will attempt to resolve any objections raised by the filer to the proposed change.

3.6 Notification to CSA Committee of Discretionary Change of Principal Regulator - The participating principal regulators involved in an application or proposal to change a filer's principal regulator will advise the CSA committee of all decisions rendered under sections 3.4 or 3.5 and the reasons for the decisions.

3.7 Effect of Change of Principal Regulator

- (1) A change of principal regulator under section 3.3, 3.4 or 3.5 applies for all materials filed under this Policy after the change.
- (2) If the circumstances relevant to the determination of the principal regulator change after the date of any filing of materials and before a final MRRS decision document is issued relating to those materials, the principal regulator will act as principal regulator for that filing, and the change of principal regulator will relate to materials filed after the issuance of the final MRRS decision document.

3.8 Identification of New Principal Regulator - At the time of the first filing following a change of principal regulator, the filer should identify the new principal regulator in the cover page information for the SEDAR filing and indicate that this is a change from the previous filing. The filer should also update its SEDAR filer profile to identify the new principal regulator and include the basis for the change of principal regulator.

PART 4 FILING MATERIALS UNDER THE MRRS

- 4.1 Election of MRRS and Identifying Principal Regulator** - The filer should indicate in the cover page information for the SEDAR filing its principal regulator and that it is electing to file materials under the MRRS. The filer should also identify its principal regulator and the basis for the determination in its SEDAR filer profile. If a filer's principal regulator is determined in accordance with paragraph 3.2(1)(b) or 3.2(1)(d), the filer should provide a description of the factors connecting the filer to the jurisdiction of the principal regulator it has selected. If applicable, the filer should provide the date of the change in circumstances resulting in an automatic change of principal regulator under section 3.3 or of a decision under section 3.4 or 3.5 changing the principal regulator.
- 4.2 Filing** - If a filer proposes to distribute its securities by prospectus only to purchasers in jurisdictions other than the jurisdiction in which its principal regulator is located, the materials, including the required fees, should also be filed with the principal regulator, and will be reviewed by the principal regulator. This will enable participating principal regulators to maintain familiarity with their respective filers.
- 4.3 Black-lined Document** - Except in the case of short form prospectuses, it is strongly recommended that a filer file through SEDAR a draft prospectus (the French language version, in Québec), black lined to show changes, as far as possible in advance of filing final materials. This black lined version is in addition to the black lined version of the final prospectus to be filed with the final materials.

4.4 Seasoned Prospectuses

- (1) If appropriate, a filer may identify a prospectus being filed as a seasoned prospectus. When a seasoned prospectus is filed it should be accompanied by a copy of the seasoned prospectus black lined against the preceding prospectus of the filer to show all changes made. The prospectus should be accompanied by a certificate of the filer. The certificate should certify that the black lined prospectus indicates all differences between the content of the seasoned prospectus and that of the previous prospectus of the filer.
- (2) If a filing is made under this section, the principal regulator will advise the non-principal regulators when the comment letter is issued that the prospectus is being reviewed as a seasoned prospectus. The non-principal regulators will then assume that the principal regulator has conducted only a limited review of the prospectus unless the contrary is specifically stated.
- (3) The procedures set out in this section do not apply to filings made under NI 81-101.

PART 5 REVIEW OF MATERIALS

5.1 Review by Principal Regulator - The principal regulator is responsible for reviewing all materials in accordance with the local securities legislation and local securities directions of the jurisdiction in which the principal regulator is located, and in accordance with its review procedures, analysis and precedents. The principal regulator will be responsible for issuing and resolving comments on materials and issuing the MRRS decision document once the relevant conditions have been satisfied. While the non-principal regulators may review the materials and will advise the principal regulator of any material concerns relating to the materials that, if left unresolved, would cause the non-principal regulators to opt out of the MRRS, the filer will generally deal solely with the principal regulator.

5.2 Review Period for Long Form Prospectuses and Renewal Shelf Prospectuses

- (1) The principal regulator will use its best efforts to review the materials and issue a comment letter within 10 working days of the date of the preliminary MRRS decision document or receipt of the pro forma materials.
- (2) Each non-principal regulator will, within five working days of the date of the preliminary MRRS decision document or receipt of the pro forma materials, use its best efforts to:
 - (a) advise the principal regulator of any material concerns with the materials that, if left unresolved, would cause the non-principal regulator to opt out of the MRRS; or

- (b) indicate in the SEDAR “Filing Status” screen that it is clear to receive final materials, if there are no outstanding applications or waiver applications that have been filed with the non-principal regulators.

5.3 Review Period for Short Form Prospectuses

- (1) The principal regulator will use its best efforts to review materials relating to a preliminary short form prospectus and issue a comment letter within three working days of the date of the preliminary MRRS decision document. Each non-principal regulator will, within three working days of the preliminary MRRS decision document, use its best efforts to:
 - (a) advise the principal regulator of any material concerns with the materials that, if left unresolved, would cause the non-principal regulator to opt out of the MRRS; or
 - (b) indicate in the SEDAR “Filing Status” screen that it is clear to receive final materials, if there are no outstanding applications that have been filed with the non-principal regulators.
- (2) Despite the foregoing, if, in the opinion of the principal regulator, a proposed distribution by way of short form prospectus is too complex to be reviewed adequately within the prescribed time periods, the principal regulator may determine that the time periods applicable to long form prospectuses should apply, and the principal regulator will, within one working day of the filing of the preliminary short form prospectus, so notify the filer and the non-principal regulators. The filer is encouraged to submit a pre-filing to resolve any issues that may cause a delay in the prescribed time periods.

5.4 Novel Structure or Issue - If a prospectus is filed for an offering that involves a novel structure or novel issue and the issues were not resolved in a pre-filing with the relevant regulators, the principal regulator may establish a cooperative review process actively involving the non-principal regulators in formulating and resolving the comments. The principles of mutual reliance, in all other respects, will continue to apply. The complexity of the structure or the issue may affect the prescribed review periods.

5.5 Form of Response - The filer should provide to the principal regulator written responses to the comment letter issued by the principal regulator.

PART 6 OPTING OUT

6.1 Opting Out - A non-principal regulator can opt out of the MRRS for a filing at any time before the principal regulator issues a final MRRS decision document for the materials. The non-principal regulator will provide notice of its decision to opt out to the filer, the principal regulator and the other non-principal regulators by indicating “MRRS - Opt Out” in the SEDAR “Filing Status” screen. The non-principal regulator will at that time provide written reasons for its decision to opt out of the MRRS to the principal regulator and the other non-

principal regulators. The principal regulator will forward the reasons for opting out to the filer and will use its best efforts to resolve opt out issues with the filer on behalf of the non-principal regulator that has opted out. If the principal regulator is able to resolve these issues with the non-principal regulator that has opted out, the non-principal regulator that has opted out may opt back in. Reasons for opting out will be forwarded to the CSA committee. In the event that the principal regulator is unable to resolve the opt out issues with the non-principal regulator, the principal regulator will issue a final MRRS decision document on behalf of the non-principal regulators that have not opted out. The filer will then deal directly with the non-principal regulator that has opted out to resolve any outstanding issues outside the MRRS.

PART 7 MRRS DECISION DOCUMENT

7.1 Effect of MRRS Decision Document - The MRRS decision document evidences that a determination on materials has been made by the principal regulator and the non-principal regulators that have not opted out of the MRRS for the materials.

7.2 Conditions to Issuance of Preliminary MRRS Decision Document - The principal regulator will issue a preliminary MRRS decision document if:

1. the principal regulator has determined that acceptable materials have been filed; and
2. the filer has confirmed to the principal regulator in a letter accompanying the materials that, to the best of its knowledge and belief:
 - (a) materials, including all required translations, have been filed with all non-principal regulators that have not opted out of the MRRS for the materials;
 - (b) in respect of each jurisdiction in which the materials are filed, the filer has filed or delivered all documents required to be filed or delivered under the local securities legislation and is not subject to a cease trade order issued by a local securities regulatory authority;
 - (c) in each jurisdiction in which the securities will be offered to purchasers, at least one underwriter that has signed the certificate is registered, or has filed an application for registration or an application for exemptive relief from the requirement to be registered. If none of the underwriters that has signed the certificate are registered in a jurisdiction in which the distribution is being made but one of the underwriters has filed an application for registration or an application for exemptive relief from the requirement to be registered, that underwriter will file an undertaking with the principal regulator not to solicit in that jurisdiction until the registration or exemption has been obtained; and
 - (d) in the case of distributions to be effected by the filer, the filer is registered in each jurisdiction in which the securities will be offered to purchasers, or has filed an application for registration. If the filer has filed an application for registration in a jurisdiction, the filer will file an undertaking with the

principal regulator not to solicit in that jurisdiction until the registration is obtained.

7.3 Form of Preliminary MRRS Decision Document - The preliminary MRRS decision document for a preliminary prospectus will contain the following legend:

This preliminary mutual reliance review system decision document evidences that preliminary receipts of the regulators in each of (name of each jurisdiction in which materials have been filed and where the regulator has not opted out of the MRRS for the materials) have been issued.

7.4 Conditions to Issuance of Final MRRS Decision Document for Long Form Prospectus and Renewal Shelf Prospectus - The principal regulator will issue a final MRRS decision document for a long-form prospectus or a renewal shelf prospectus if:

1. the statutory waiting period between the issuance of a MRRS decision document for preliminary materials and final materials, if applicable, has expired;
2. all non-principal regulators, other than the regulators in Prince Edward Island, the Yukon Territory, the Northwest Territories and Nunavut, have indicated in the SEDAR “Filing Status” screen that they are “Clear for Final” or have opted out of the MRRS for the filing by indicating “MRRS - Opt Out” in the SEDAR “Filing Status” screen;
3. the principal regulator has determined that acceptable materials have been filed; and
4. the filer has confirmed to the principal regulator in a letter accompanying the materials that, to the best of its knowledge and belief:
 - (a) materials, including all required translations, have been filed with all non-principal regulators that have not opted out of the MRRS for the materials;
 - (b) in respect of each jurisdiction in which the materials are filed, the filer has filed or delivered all documents required to be filed or delivered under the local securities legislation and is not subject to a cease trade order issued by a local securities regulatory authority;
 - (c) in each jurisdiction in which the securities will be offered to purchasers, at least one underwriter that has signed the certificate is registered or has been exempted from the requirement to be registered;
 - (d) in the case of distributions to be effected by the filer, the filer is registered in each jurisdiction in which the securities will be offered to purchasers; and
 - (e) all necessary relief from applicable securities legislation or securities directions has been applied for and granted by the principal regulator and non-principal regulators.

- 7.5 Conditions to Issuance of Final MRRS Decision Document for Short Form Prospectus -**
The principal regulator will issue a final MRRS decision document for a short form prospectus if the conditions specified in section 7.4, other than subsection 7.4(1), have been met and at least two working days have elapsed from the date of the preliminary MRRS decision document.
- 7.6 Form of Final MRRS Decision Document -** The final MRRS decision document for a prospectus will contain the following legend:
This final mutual reliance review system decision document evidences that final receipts of the regulators in each of (name of each jurisdiction in which materials have been filed and where the regulator has not opted out of the MRRS for the materials) have been issued.
- 7.7 Local Decision Document -** Despite the issuance of the MRRS decision document, certain non-principal regulators will issue concurrently their own decision documents for materials. In the case of materials filed for a proposed distribution of securities, it is not necessary for a filer to obtain a copy of the local decision document before commencing the distribution of its securities.
- 7.8 Holidays -** The principal regulator will issue a MRRS decision document evidencing the receipt of non-principal regulators that are open on the date of the MRRS decision document. The principal regulator will issue a MRRS decision document evidencing the receipt of the remaining non-principal regulators on the next day that the non-principal regulators are open.
- 7.9 Refusal by Principal Regulator to Issue a Receipt**
- (1) If the principal regulator refuses to issue a receipt for materials and therefore refuses to issue a MRRS decision document, it will notify the filer and the non-principal regulators by sending a refusal letter through SEDAR, and the MRRS will no longer apply to the filing. In these circumstances, the filer will deal separately with the local securities regulatory authority in each jurisdiction in which the materials were filed, including the principal regulator, to determine if the local securities regulatory authority or regulator in those jurisdictions will issue a local decision document. Filers are cautioned that, once the MRRS is no longer applicable to the materials, each non-principal regulator may conduct its own comprehensive review of the materials.
 - (2) To the extent the issues that gave rise to the refusal to issue a MRRS decision document are resolved to the satisfaction of all parties, the filer may request that the MRRS apply once again to the materials.
- 7.10 Right to be Heard Following a Refusal -** If a filer requests a hearing for a refusal by the principal regulator to issue a receipt, the principal regulator will promptly advise the non-principal regulators of the request. The principal regulator will generally hold the hearing, either solely or together with other interested non-principal regulators. The non-principal regulators may make whatever arrangements they consider appropriate, including conducting hearings.

PART 8 APPLICATIONS

8.1 Applications - In many instances, certain exemptive relief is required by a filer to enable a filing of materials or to facilitate a distribution of securities under materials filed. The following guidelines may assist a filer in ensuring that the review of materials is not unduly delayed if there is a concurrent application that is not subject to Part 9:

1. The principles of mutual reliance are available to govern the review and disposition of applications that are made in multiple jurisdictions. If the application is to be filed under the MRRS, it should be filed under the applications policy.
2. If the relief requested in the application is a condition to the issuance of a MRRS decision document and if the application is not filed in a timely manner, the issuance of the MRRS decision document may be delayed. In this regard, if an application is filed under the MRRS, filers are referred to the time periods for processing applications as contained in the applications policy.
3. If an application is filed, the filer should indicate in the SEDAR cover page information for the related filing of materials under the field “Application for Exemption Order in”, those jurisdictions in which the application is being made. The filer should also indicate in a cover letter accompanying the application that there is a related filing of materials that has either been filed or will be filed.

PART 9 PRE-FILINGS AND WAIVER APPLICATIONS

9.1 General

- (1) The principles of mutual reliance are available to govern the review of pre-filings and waiver applications that are made in more than one jurisdiction. There may be pre-filings and waiver applications where a formal order is required in some jurisdictions while the issuance of a receipt will evidence the required relief in other jurisdictions. This difference among the jurisdictions may create ambiguity about whether a particular pre-filing or waiver application should be made under this policy or the applications policy. In order to free the process of ambiguity, Appendix B contains examples of applications that are dealt with under this Policy.
- (2) If the filer does not require exemptive relief in the jurisdiction of its principal regulator, the filer should select the participating principal regulator in the jurisdiction with which the filer has the next most significant connection to act as the principal regulator for the purposes of the pre-filing or waiver application.
- (3) In a letter accompanying materials filed, the filer should describe the subject matter of any pre-filings or waiver applications made to the non-principal regulators and the disposition thereof by the non-principal regulators.

- (4) If the resolution of a pre-filing or waiver application is a condition precedent to the issuance of either a preliminary or final MRRS decision document, filers are reminded to file the pre-filing or waiver application sufficiently in advance of the filing of the related materials to avoid any delay in the issuance of the MRRS decision document.
- (5) Different review procedures apply to those pre-filings and waiver applications filed under the MRRS that are routine and those that raise novel and substantive issues.
- (6) If a pre-filing or waiver application has been filed, the filer should indicate in the SEDAR cover page information for the related filing of materials under the field “Pre-filing or Waiver Application”, those jurisdictions in which the pre-filing or waiver application has been made. The filer should also indicate in a cover letter accompanying the pre-filing or waiver application that there is a related filing of materials that has either been filed or will be filed.

9.2 Procedure for Routine Pre-Filings and Waiver Applications - Except as provided in section 9.3, a pre-filing or waiver application made under the MRRS should be submitted to the principal regulator in the form required by the principal regulator, and the filer will deal directly with the principal regulator to resolve the pre-filing or waiver application.

9.3 Procedure for Novel and Substantive Pre-Filings and Waiver Applications

- (1) If the principal regulator determines that a pre-filing or waiver application filed, or to be filed, under the MRRS involves a novel and substantive issue or raises a novel public policy concern:
 - (a) the principal regulator will direct the filer to submit the pre-filing or waiver application in written form to the principal regulator and the non-principal regulators;
 - (b) each non-principal regulator will be given five working days from the date of its receipt of the pre-filing or waiver application to forward to the principal regulator and the other non-principal regulators substantive issues that may, if left unresolved, cause the non-principal regulator to opt out of the disposition of the pre-filing or waiver application; and
 - (c) the principal regulator will notify all non-principal regulators of its proposed disposition of the pre-filing or waiver application and will give each non-principal regulator a reasonable period of time to advise the principal regulator of its disagreement with the proposed disposition of the pre-filing or waiver application before notifying the filer of the disposition. The principal regulator will advise the filer that the disposition of the pre-filing or waiver application represents the disposition by all non-principal regulators other than those that advised the principal regulator of their disagreement with the disposition within the specified period of time. If a non-principal regulator disagrees with the disposition, the principal regulator will use its best efforts to resolve the outstanding issues with the non-principal regulator

that disagrees with the proposed disposition of the pre-filing or waiver application.

- (2) In circumstances where it is apparent to the filer that a proposed pre-filing or waiver application contains a novel public policy issue, the filer is encouraged, for the purpose of accelerating the resolution of the pre-filing or waiver application, to send the pre-filing or waiver application in written form to the non-principal regulators contemporaneously with submitting it to the principal regulator.

9.4 Filing of Related Materials - For any materials filed under the MRRS to which a pre-filing or waiver application relates, the filer should include in the cover letter accompanying the materials a description of the subject matter of the pre-filing or waiver application, including the relevant provisions of the securities legislation and securities directions of the principal regulator and the proposed disposition of the pre-filing or waiver application by the principal regulator and, if applicable, any non-principal regulator that disagreed with the disposition by the principal regulator and had an alternative disposition of the pre-filing or waiver application. In the case of a waiver application, the filer should identify the other non-principal regulators from which the requested relief is also needed.

9.5 Effect of Related MRRS Decision Document - In the case of a waiver application, the filer should include in the cover letter referred to in section 9.4 a request that the non-principal regulators grant the discretionary relief requested from the principal regulator. The final MRRS decision document will evidence that the principal regulator and the non-principal regulators that have not opted out have granted the discretionary relief requested in the waiver application. The securities regulatory authorities of certain jurisdictions will also issue their own local decision documents.

PART 10 AMENDMENTS

10.1 Filing of Amendments

- (1) Amendment materials should be filed with the principal regulator and the non-principal regulators in accordance with Part 4 of this Policy.
- (2) The Securities Act (Québec) provides that the Autorité des marchés financiers must decide to issue or to refuse to issue a receipt for a prospectus amendment, other than a prospectus relating to a continuous distribution, within two working days of filing of the prospectus amendment. If a filer wishes to apply the MRRS to a prospectus amendment, other than a prospectus amendment relating to a continuous distribution that is also filed in the province of Québec, it should include in the cover letter accompanying the prospectus amendment materials statements that:
 - (a) it acknowledges that the Autorité des marchés financiers may be unable to issue a receipt within two working days of the date of receipt of the prospectus amendment and specifically waives any rights it may have to have

a receipt issued by the Autorité des marchés financiers within that time frame; and

- (b) it undertakes to the Autorité des marchés financiers that it will cease the distribution of its securities in Québec until the prospectus amendment MRRS decision document is issued.
- (3) If the filer does not include the statements referred to in subsection (2) in the cover letter accompanying the prospectus amendment materials, the MRRS will not apply to that filing.
- (4) Filers are reminded that local securities legislation in other jurisdictions contain restrictions on distributing securities until the prospectus amendment MRRS decision document is issued, as discussed in section 10.9.

10.2 Conditions to Issuance of MRRS Decision Document for Preliminary Prospectus Amendments - The principal regulator will issue a preliminary prospectus amendment MRRS decision document if:

- 1. the principal regulator has determined that acceptable materials have been filed; and
- 2. the filer has confirmed to the principal regulator in a letter accompanying the materials that, to the best of its knowledge and belief:
 - (a) materials, including all required translations, have been filed with all relevant non-principal regulators that have not opted out of the MRRS for the materials;
 - (b) in respect of each jurisdiction in which the materials are filed, the filer has filed or delivered all documents required to be filed or delivered under the local securities legislation and is not subject to a cease trade order issued by a local securities regulatory authority; and
 - (c) if the amendment reflects the removal of an underwriter, the filer has confirmed to the principal regulator that in each jurisdiction in which the securities will be offered to purchasers, at least one underwriter that has signed the certificate is registered, or has filed an application for registration or an application for exemptive relief from the requirement to be registered. If none of the underwriters that has signed the certificate are registered in a jurisdiction in which the distribution is being made but one of the underwriters has filed an application for registration or an application for exemptive relief from the requirement to be registered, that underwriter will file an undertaking with the principal regulator not to solicit in that jurisdiction until the registration or exemption has been obtained.

10.3 Form of MRRS Decision Document for Preliminary Prospectus Amendments

- (1) The securities legislation and securities directions in force in certain jurisdictions require that a receipt be issued for a preliminary prospectus amendment. The securities legislation and securities directions in force in other jurisdictions do not require that a receipt be issued, and it has been the administrative practice to issue a notice of acceptance of filing for the preliminary prospectus amendment. For the purposes of this Policy, a preliminary prospectus amendment MRRS decision document will evidence that, if applicable, the required receipts or notices of acceptance of filing have been issued by the principal regulator and the non-principal regulators.
- (2) The preliminary prospectus amendment MRRS decision document will contain the following legend:

This mutual reliance review system decision document evidences that receipts or notices of acceptance of filing of the regulators in each of (name of each jurisdiction in which materials have been filed and where the regulator has not opted out of the MRRS for the materials) have been issued.

10.4 Review Period for Preliminary Prospectus Amendments

- (1) If a preliminary prospectus amendment is filed before the principal regulator issues its comment letter relating to the preliminary prospectus materials, the principal regulator may be unable to complete its review of the preliminary materials and issue its comment letter within the time periods indicated in sections 5.2 and 5.3, as applicable. In this case, the principal regulator will use its best efforts to issue its comment letter on the later of the date that is five working days after the filing of the amendment and the original due date for the comment letter. Similarly, if a preliminary prospectus amendment is filed before the non-principal regulator completes its review described in section 5.2(2) and 5.3(1), the non-principal regulator may be unable to complete its review within the relevant time periods. In this case, the non-principal regulator will use its best efforts to complete its review on the later of the date that is three working days after the filing of the amendment and the original due date for completing the review.
- (2) If a preliminary prospectus amendment for a preliminary long form prospectus is filed after the principal regulator has issued its comment letter:
 - (a) the principal regulator will use its best efforts to review the materials and issue a comment letter within three working days of the date of the preliminary prospectus amendment MRRS decision document; and
 - (b) the non-principal regulators will use their best efforts to advise the principal regulator of any material concerns with the materials that, if left unresolved, would cause the non-principal regulator to opt out of the MRRS within three working days of the date of the preliminary prospectus amendment MRRS decision document

- (3) If a preliminary prospectus amendment for a preliminary short form prospectus is filed after the principal regulator has issued its comment letter:
 - (a) the principal regulator will use its best efforts to review the materials and issue a comment letter within two working days of the date of the preliminary prospectus amendment MRRS decision document; and
 - (b) the non-principal regulators will use their best efforts to advise the principal regulator of any material concerns with the materials that, if left unresolved, would cause the non-principal regulator to opt out of the MRRS within two working days of the date of the preliminary prospectus amendment MRRS decision document:
- (4) The time periods in subsections (2) and (3) may not apply in certain circumstances if it would be more appropriate for the principal regulator and the non-principal regulators to review the amendment materials at a different stage of the review process. For example, the principal regulator and the non-principal regulators may wish to defer review of the amendment materials until after receiving and reviewing the filer's responses to comments already issued in respect of the preliminary materials.

10.5 Review Period for Prospectus Amendments

- (1) If a prospectus amendment to a long form prospectus, including a prospectus for an investment fund, is filed, the principal regulator will use its best efforts to review the materials and to issue a comment letter within three working days of the date of the receipt of the prospectus amendment, and the non-principal regulators will use their best efforts to advise the principal regulator of any material concerns with the materials that, if left unresolved, would cause the non-principal regulator to opt out of the MRRS within three working days of the date of the receipt of the prospectus amendment.
- (2) If a prospectus amendment to a short form prospectus is filed, the principal regulator will use its best efforts to review the materials and to issue a comment letter within two working days of the date of the receipt of the prospectus amendment, and the non-principal regulators will use their best efforts to advise the principal regulator of any material concerns with the materials that, if left unresolved, would cause the non-principal regulator to opt out of the MRRS within two working days of the date of the receipt of the prospectus amendment.

10.6 Conditions to Issuance of Prospectus Amendment MRRS Decision Document - The principal regulator will issue a prospectus amendment MRRS decision document if:

1. all comments raised have been resolved to the satisfaction of the principal regulator and, if applicable, any non-principal regulator that has not opted out of the MRRS for the materials;
2. the principal regulator has determined that acceptable materials have been filed;

3. all non-principal regulators, other than the regulators in Prince Edward Island, the Yukon Territory, the Northwest Territories and Nunavut, have indicated in the SEDAR “Filing Status” screen that they are “Clear for First Amendment to Final” (or “Clear for Second Amendment to Final” or “Clear for Third Amendment to Final” as applicable) or have opted out of the MRRS for the filing by indicating “MRRS - Opt Out” in the SEDAR “Filing Status” screen; and
4. the filer has confirmed to the principal regulator in a letter accompanying the materials that, to the best of its knowledge and belief:
 - (a) materials, including all required translations, have been filed with all non-principal regulators that have not opted out of the MRRS for the materials;
 - (b) in respect of each jurisdiction in which the materials are filed, the filer has filed or delivered all documents required to be filed or delivered under the local securities legislation and is not subject to a cease trade order issued by a local securities regulatory authority;
 - (c) if the amendment reflects the removal of an underwriter, the filer has confirmed to the principal regulator that in each jurisdiction in which the securities will be offered to purchasers, at least one underwriter that has signed the certificate is registered or has been exempted from the requirement to be registered; and
 - (d) all necessary relief from applicable securities legislation or securities directions has been applied for and granted by the principal regulator and non-principal regulators.

10.7 Form of Prospectus Amendment MRRS Decision Document

- (1) The securities legislation and securities directions in force in different jurisdictions impose different requirements on receipting or accepting amendments. The securities legislation and securities directions in force in certain jurisdictions require that a receipt be issued for any prospectus amendment, whereas the securities legislation and securities directions in force in other jurisdictions do not require that a receipt be issued, and it has been the administrative practice to issue a notice of acceptance of filing for the prospectus amendment. The securities legislation and securities directions in other jurisdictions require that a receipt be issued for a prospectus amendment only where the prospectus amendment is filed for the purpose of distributing securities in addition to the securities previously disclosed in the related prospectus. For the purposes of this Policy, a prospectus amendment MRRS decision document will constitute confirmation that, if applicable, the required receipts or notices of acceptance of filing have been issued by the principal regulator and the non-principal regulators.
- (2) The prospectus amendment MRRS decision document will contain the following legend:

This mutual reliance review system decision document evidences that receipts or

notices of acceptance of filing of the regulators in each of (name of each jurisdiction in which materials have been filed and where the regulator has not opted out of the MRRS for the materials) have been issued.

10.8 Local Decision Document - Despite the issuance of the MRRS decision document, certain non-principal regulators will issue concurrently their own decision documents for amendments. In the case of prospectus amendments, it is not necessary for a filer to obtain a copy of the local decision document before recommencing the distribution of its securities.

10.9 Other Requirements

- (1) Filers are reminded that the securities legislation and securities directions in force in certain jurisdictions require that where an amendment has been filed for the purposes of distributing securities in addition to the securities previously disclosed in the prospectus, the additional distribution will not be proceeded with for a specified period of time.
- (2) Filers are also reminded that the securities legislation and securities directions of certain jurisdictions provide that, except in certain circumstances with the written permission of a designated person, a distribution or additional distribution must not proceed until a receipt for a prospectus amendment is issued.

APPENDIX A

MATERIALS REQUIRED TO BE FILED UNDER NATIONAL POLICY 43-201

The attached lists of documents, as varied in accordance with the following guidance, are those required to be filed or delivered under each category of filing to which the Policy applies.

The following guidance applies to all filings of materials under the MRRS:

1. Where a filing is to be made in the province of Québec, a French language version of the following documents must also be filed:
 - (a) the preliminary prospectus and the prospectus; and
 - (b) any amendment to a preliminary prospectus and any amendment to a prospectus.

The French language versions of all documents incorporated by reference, if not previously filed, must be filed at the time of filing of a preliminary short form prospectus.

2. The attached lists do not refer to the applicable filing and distribution fees required by the securities regulatory authorities. The filer should consult the fee schedules of the relevant securities legislation for the applicable fees.

For filers that are permitted to file materials in paper form under National Instrument 13-101, *System for Electronic Document Analysis and Retrieval (SEDAR)*, the payment of fees should be made by cheque payable as follows:

British Columbia - British Columbia Securities Commission
 Alberta - Alberta Securities Commission
 Saskatchewan - Minister of Finance
 Manitoba - Minister of Finance
 Ontario - Ontario Securities Commission
 Québec - Autorité des marchés financiers
 New Brunswick - New Brunswick Securities Commission
 Nova Scotia - Minister of Finance
 Prince Edward Island - Provincial Secretary
 Newfoundland and Labrador - Newfoundland and Labrador Exchequer Account
 Northwest Territories - Government of the Northwest Territories
 Yukon Territory - Government of Yukon
 Nunavut - Nunavut Securities Registry

In all other cases, payment of filing fees should be transmitted electronically through SEDAR.

3. Additional filing requirements apply to certain types of offerings such as offerings using the shelf offering procedures (National Instrument 44-102), the post-receipt pricing procedures (National Instrument 44-103) or the multijurisdictional disclosure system (National Instrument 71-101). Reference should be made to the applicable provisions of national or local rules or policies for any additional filing requirements or procedures.
4. Where the attached requirements refer to personal information regarding directors, executive officers and promoters of the filer, the filer should provide, for each director and executive officer of the filer and for each promoter of the filer (or in the case where the promoter is not an individual, for each director and executive officer of the promoter) the following information for security check purposes:
 - (i) full name (including any previous name(s) if any);
 - (ii) position with or relationship to the issuer;
 - (iii) employer's name and address, if other than the issuer;
 - (iv) full residential address;
 - (v) date and place of birth; and
 - (vi) citizenship.

For any of the above noted individuals with a residential address outside of Canada, the filer should provide the following additional information:

- (i) previous address(es) (5 year history);
- (ii) dates residing in foreign country;
- (iii) height and weight;
- (iv) eye colour;
- (v) hair colour; and
- (vi) passport nationality and number.

Where the offering is made under the provisions of NI 44-101, a completed authorization form as per Appendix A of NI 44-101, "Authorization of Indirect Collection of Personal Information" must be filed. Where the offering is made under the provisions of OSC 41-501 a completed Form 41-501F2 "Authorization of Indirect Collection of Personal Information" must be filed. Where the offering is made under the provisions of Q-28, a completed form as per Appendix A of Q-28, *Authorization of Indirect Collection of Personal Information*, must be filed.

PRELIMINARY OR PRO FORMA LONG FORM PROSPECTUS

An issuer that files a preliminary prospectus or a *pro forma* prospectus pursuant to OSC 41-501 or pursuant to Q-28, shall file and/or deliver the documents required to be filed and/or delivered as set out in Section 13.2 of OSC 41-501 or as set out in Section 13.2 of Q-28, along with:

1. Filing fees; and
2. A letter to the principal regulator prepared in accordance with section 7.2.2 of the Policy.

Issuers filing prospectuses and pro forma prospectuses outside Québec in accordance with OSC 41-501 will satisfy requirements in other jurisdictions governing the form and content of a long form prospectus and the accompanying filings and deliveries to the Commissions. Issuers should consult local rules or orders for details.

FINAL LONG FORM PROSPECTUS

An issuer that files a final prospectus pursuant to OSC 41-501 or pursuant to Q-28, shall file and/or deliver the documents required to be filed and/or delivered as set out in Section 13.3 of OSC 41-501 or as set out in Section 13.3 of Q-28, along with:

- 1 Filing fees and other applicable fees including participation fees; and
2. A letter to the principal regulator prepared in accordance with section 7.4.4 of the Policy.

Issuers filing prospectuses and pro forma prospectuses outside Québec in accordance with OSC 41-501 will satisfy requirements in other jurisdictions governing the form and content of a long form prospectus and the accompanying filings and deliveries to the Commissions. Issuers should consult local rules or orders for details.

PRELIMINARY SHORT FORM PROSPECTUS

An issuer that files a preliminary short form prospectus pursuant to NI 44-101 shall file and/or deliver the documents required to be filed and/or delivered as set out in Section 4.2 of that instrument along with:

1. Filing fees; and
2. A letter to the principal regulator prepared in accordance with section 7.2.2 of the Policy.

FINAL SHORT FORM PROSPECTUS

An issuer that files a final short form prospectus pursuant to NI 44-101 shall file and/or deliver the documents required to be filed and/or delivered as set out in Section 4.3 of that Instrument along with:

1. Filing fees and other applicable fees including participation fees; and
2. A letter to the principal regulator prepared in accordance with section 7.4.4 of the Policy.

**AMENDMENTS TO PRELIMINARY PROSPECTUS AND PROSPECTUS
(SHORT FORM AND LONG FORM)**

An issuer that files an amendment pursuant to OSC 41-501 or pursuant to Q-28, or pursuant to NI 44-101, shall file and/or deliver the documents required to be filed and/or delivered as set out in section 13.7 of OSC 41-501, section 13.6 of Q-28 or section 5.3 of NI 44-101, respectively, along with:

1. Filing fees;
2. A letter prepared in accordance with section 10.1(2) of the Policy, if applicable; and
3. A letter to the principal regulator:
 - (a) for a preliminary prospectus amendment, prepared in accordance with section 10.2.2 of the Policy; or
 - (b) for a prospectus amendment, prepared in accordance with section 10.6.4 of the Policy.

**PRELIMINARY SIMPLIFIED PROSPECTUS AND ANNUAL INFORMATION FORM
FILED UNDER NI 81-101**

1. Preliminary simplified prospectus
2. Preliminary simplified prospectus - blacklined
(where a new fund is being qualified by a separate prospectus but is to be part of an existing group of funds sold by prospectus, a blacklined version of the simplified prospectus should indicate any changes from the existing simplified prospectus for the group of funds)
3. Preliminary annual information form
4. Preliminary annual information form - blacklined
(where a new fund is being qualified by a separate prospectus but is to be part of an existing group of funds sold by prospectus, a blacklined version of the annual information form should indicate any changes from the existing annual information form for the group of funds)
5. Copy or draft of all material contracts for the new mutual funds
6. For a new mutual fund in a new mutual fund group, personal information regarding individuals acting as trustees and promoters, and directors and senior officers of the fund, trustee, manager and promoter. If the mutual fund is a member of a mutual fund family for which this type of information was previously provided, the information would be required only for those persons for whom the information was not previously provided by other members of the mutual fund family
7. Financial statements, if applicable
8. Filing fees
9. A letter to the principal regulator prepared in accordance with section 7.2.2 of the Policy

**PRO FORMA SIMPLIFIED PROSPECTUS AND ANNUAL INFORMATION FORM
FILED UNDER NI 81-101**

1. Pro forma simplified prospectus
2. Pro forma simplified prospectus - blacklined to indicate all changes from previous simplified prospectus
3. Pro forma annual information form
4. Pro forma annual information form - blacklined to indicate all changes from previous annual information form
5. Copy or draft of all material contracts not previously filed
6. Personal information regarding individuals acting as trustees and promoters, and directors and senior officers of the fund, trustee, manager and promoter where this information has not previously been provided for these persons in connection with a previous filing of the mutual fund family
7. Compliance report required under Part 12 of National Instrument 81-102, *Mutual Funds*
8. Filing fees

**FINAL SIMPLIFIED PROSPECTUS AND ANNUAL INFORMATION FORM FILED
UNDER NI 81-101**

1. Final simplified prospectus
2. Final simplified prospectus - blacklined to show changes from preliminary or pro forma simplified prospectus, as the case may be
3. Final annual information form
4. Final annual information form - blacklined to show changes from preliminary or pro forma annual information form, as the case may be
5. Copy of all material contracts not previously filed
6. For new funds, audited financial statements if not previously filed
7. Auditors' consent letter re audited financial statements
8. Auditors' comfort letter re unaudited financial statements, if applicable
9. Consent of legal counsel or other experts
10. Certificate re proceeds of distribution in the jurisdiction (applicable to filings in B.C., Alberta, Ontario and Québec)
11. Filing fees
12. A letter to the principal regulator prepared in accordance with section 7.4.4 of the Policy

**AMENDMENT TO A SIMPLIFIED PROSPECTUS AND ANNUAL INFORMATION
FORM FILED UNDER NI 81-101**

1. Amendment to simplified prospectus
2. Amendment to simplified prospectus - blacklined (where amendment is an amended and restated simplified prospectus)
3. Amendment to annual information form
4. Amendment to annual information form - blacklined (where amendment is an amended and restated annual information form)
5. Copy of all material contracts not previously filed
6. Auditors' consent letter, if applicable
7. Auditors' comfort letter, if applicable
8. Consent of legal counsel and other experts, if applicable
9. Filing fees
10. A letter to the principal regulator prepared in accordance with section 10.6.4 of the Policy

APPENDIX B**EXAMPLES OF APPLICATIONS DEALT WITH UNDER NATIONAL POLICY 43-201**

1. relief from financial statement and other requirements in a prospectus
2. relief from escrow requirements
3. applications relating to representations as to listing - however, because of the differences in local requirements, it may be easier to deal with these applications outside of the MRRS
4. requests for confidentiality of material contracts
5. NI 81-101 waiver applications
6. requests for confidential pre-filing of a prospectus for review purposes

Appendix C

Amendments to National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*

PART 1 AMENDMENTS TO NATIONAL INSTRUMENT 51-101

1.1 Amendment - National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* is amended by:

- (a) in section 2.1.3, striking the phrase “except in British Columbia”: and
- (b) repealing section 3.6.

PART 2 EFFECTIVE DATE

2.1 Effective Date - This amendment is effective __.

Appendix D

Amendments to Multilateral Instrument 81-104 *Commodity Pools*

PART 1 AMENDMENTS TO MULTILATERAL INSTRUMENT 81-104

1.1 **Amendment** - Multilateral Instrument 81-104 *Commodity Pools* is amended by repealing section 8.6.

PART 2 EFFECTIVE DATE

2.1 **Effective Date** - This amendment is effective __.