2015-0001

July 13, 2015

Parts III, IV and VII
Emerging Market Issuers

Part III
Sponsorship

STAFF NOTICE TO APPLICANTS, LISTED ISSUERS, SECURITIES LAWYERS AND PARTICIPATING ORGANIZATIONS

Further to the Consultation Paper on Emerging Market Issuers published by Toronto Stock Exchange ("TSX" or the "Exchange") and TSX Venture Exchange on December 17, 2012, TSX received 20 comment letters and carefully considered and reviewed them. A summary of the comments and responses are attached to this Staff Notice. Further to the comment process, staff has determined to provide guidance on the application of TSX original and continued listing requirements to applicants and issuers that in the view of TSX have a higher risk profile. While many of the practices and expectations expressed in this Staff Notice are generally applicable to all higher risk applicants and issuers, this Staff Notice is focused on a narrower group of applicants and issuers that have a higher risk profile as a result of significant connections to emerging market jurisdictions ("Emerging Market Issuers").

This Staff Notice is based upon existing rules in the TSX Company Manual (the "Manual") and should be read in conjunction with those rules. TSX applies the same original listing rules set forth in the Manual to all applicants, depending on their listing category. The Manual provides flexibility for TSX to recognize and manage the various risk profiles of applicants for listing.

TSX is providing this guidance to improve transparency in respect of TSX practices and procedures that may apply to Emerging Market Issuers seeking a listing on TSX, as well as those Emerging Market Issuers that are currently listed. The principal purpose of this Staff Notice is to provide a better understanding of the listing requirements of TSX in relation to listing Emerging Market Issuers, and the rationale underlying such requirements, with a view to facilitating the listing process and supporting successful listings on TSX.

TSX is also providing guidance regarding the publication of sponsorship information for all new listings.

EMERGING MARKET ISSUERS

Generally, TSX will consider the following factors in determining whether an applicant or an issuer may be an Emerging Market Issuer: (i) residency of "mind and management"; (ii) jurisdiction of the principal business operations and assets; (iii) jurisdiction of incorporation; (iv) nature of the business; and (v) corporate structure. The presence of any one or more of these factors may lead to an issuer being considered as an Emerging Market Issuer.

Like the Ontario Securities Commission[1], TSX is focusing these considerations on jurisdictions outside of Canada, the United States, the United Kingdom, Western Europe, Australia and New Zealand. TSX recognizes that apart from these jurisdictions, there are other jurisdictions which are not emerging markets. Given the large number of potential jurisdictions and the infrequency of applications from such jurisdictions, TSX will assess other jurisdictions on a country-by-country basis, taking into account factors such as: (i) the prevalence of the rule of law; (ii) the rating in corruption perception and transparency indices; (iii) a civil or common law system similar to Canada; (iv) usage of International Financial Reporting Standards and International Standards on Auditing; and (v) membership in key commercial and economic international organisations.

TSX considers certain, but not all, emerging market risk factors to be mitigated in respect of resource issuers that: (i) have produced independent technical reports, since there has been an independent expert review conducted on the principal assets; (ii) have management (including board members) that reside, or historically have principally been resident, in Canada or one of the jurisdictions noted above; and (iii) have properties for which the title opinion has been reviewed by the author of the independent technical report.

TSX strongly recommends that applicants possessing some or all of the foregoing factors consult with the Exchange early in their listing deliberations and consider the guidance below accordingly.

Part I—Potential Risks Associated with Listing Emerging Market Issuers

TSX has identified the following principal areas relevant to listing in which there may be greater risks associated with Emerging Market Issuers. We have identified these risks in order to assist market participants in understanding and addressing our underlying concerns. Part II of this Staff Notice provides guidance regarding how Emerging Market Issuers may mitigate these risks.

1. Management and Corporate Governance

a) Knowledge of Canadian Regulatory Requirements

If management lacks experience and familiarity with Canadian securities law requirements and TSX requirements, the likelihood of non-compliance with, or misunderstanding of, such requirements potentially increases. This may result in:

i) inadequate corporate governance standards and practices;

ii) less sensitivity to market concerns and regulatory requirements associated with related party transactions which, in turn, may increase the likelihood of inadequate disclosure of such transactions and non-compliance with applicable security holder approval and/or valuation requirements; and

iii) inadequate compliance with applicable continuous and timely disclosure requirements.

b) Communication

[1] OSC Staff Notice 51-719, Emerging Markets Issuer Review, March 20, 2012, p. 3.

Communication issues may exist if the board of directors or management are not fluent in a common language, are not fluent in the language in which the issuer conducts business or are not within close geographic proximity. In such situations, there is the potential for various communication-related issues to arise such as:

i) inadequate oversight of senior management by the board of directors;

ii) the inability of advisors (such as legal counsel and auditors) to adequately communicate with senior management and the board of directors;

iii) the inability of the chief financial officer ("CFO") to properly carry out his/her duties;

iv) the inability of the audit committee to properly carry out its duties; and

v) the inability of senior management to adequately communicate with TSX and the applicable securities regulatory authorities.

c) Local Business Knowledge

If management lacks experience and familiarity with the laws and requirements of the jurisdiction where the issuer is principally carrying out its business activities, the likelihood of non-compliance with, or misunderstanding of, the legal and regulatory requirements applicable to its operations potentially increases.

2. Financial Reporting

a) Qualifications of Auditors:

For an issuer with principal operations in an emerging market jurisdiction, if the issuer's Canadian auditors lack sufficient experience and expertise in the applicable jurisdiction, the likelihood of errors or oversights in the audit process, and correspondingly the issuer's financial statements and related disclosure, may increase.

b) Qualifications of CFO and Audit Committee

For an issuer with principal operations in an emerging market jurisdiction, if the issuer's CFO or audit committee lacks sufficient expertise and experience with applicable financial reporting and audit practices and procedures, in particular in the context of international audit engagements for public companies, the likelihood of errors or oversights in the issuer's financial statements may increase.

3. Adequacy of Internal Controls

For an issuer with principal operations in an emerging market jurisdiction, inadequate internal controls over financial reporting matters may increase the likelihood of errors and misstatements in the issuer's financial statements. Although inadequacy of internal controls is a potential risk for any issuer, certain factors may raise the risk profile for Emerging Market Issuers. These factors may include:

i) differences in banking systems and controls between jurisdictions;

ii) differences in business cultures and business practices between jurisdictions; and

iii) rules or limitations on the flow of funds between jurisdictions.

4. Non-Traditional Corporate/Capital Structures

a) Complexity of Corporate and Capital Structures

TSX understands that tax or foreign ownership restrictions in certain jurisdictions may encourage or necessitate more complex corporate or capital structures. These may include, for example, structures in which the issuer does not hold a direct ownership interest in its principal assets and instead holds its rights indirectly through contractual arrangements with a foreign-domiciled entity (e.g. a variable interest entity structure) or structures in which a foreign-domiciled entity is granted an earn-in or similar right that permits it to acquire a controlling or substantial share position in the issuer for nominal consideration (e.g. a "slow walk" arrangement structure). Where such corporate or capital structures are utilized, there may be potential risks, such as the following:

i) if the structure requires that legal ownership of the issuer's operating assets be vested in a non-affiliated entity, title to and control over such assets by the issuer may be compromised, a potential risk which may be amplified depending on the rule of law in the applicable jurisdiction;

ii) the structure may limit or otherwise inhibit the ability of the security holders to have recourse against the assets of the issuer; and

iii) inadequate public disclosure of the nature, material characteristics and risks associated with the structure.

5. Legal Matters Relating to Title and Ability to Conduct Operations

a) Validity of Title to Principal Operating Assets

Legitimacy and certainty of title to principal operating assets are key in considering whether listing requirements are met. An issuer must validly own and be able to operate the business upon which its listing is based. For an issuer with operations in an emerging market jurisdiction, there may be an increase in title risk or difficulty demonstrating that these key listing requirements are satisfied.

b) Legal Right to Conduct Operations:

Many jurisdictions require specific permits or business licenses in order for an issuer to carry out its business operations and that the applicable requirements may be different from jurisdiction to jurisdiction, even within the same industry. Furthermore, the requirements applicable to an issuer may be different if the issuer is considered "foreign" from the perspective of the applicable jurisdiction (for example, China may have requirements specific to a non-Chinese owned entity conducting business operations in China). The associated risks and considerations

related to an issuer's ability to carry out its business operations are more likely to be relevant to an Emerging Market Issuer given the location of its operations

Part II—Guidance for Original Listing of Emerging Market Issuers

The following guidance is applicable to Emerging Market Issuers submitting an original listing application to list on TSX. The purpose and intent of this guidance is to explain how these potential risks may be mitigated in connection with applications for listing by Emerging Market Issuers. Depending on the facts specific to each applicant, all, part or none of the following guidance may be applicable, as determined by TSX on a case by case basis. In addition, the guidance below should not be considered an exhaustive list of considerations for listing an Emerging Market Issuer. TSX has carefully prepared this guidance based on experience to date. However, other potential risks may become apparent upon review of an Emerging Market Issuer, and TSX may require other measures to mitigate these risks. TSX also recognizes that there may be other ways to mitigate risks and will consider other proposals made by applicants.

1. Pre-filing Meetings

In light of the various potential risks associated with listing Emerging Market Issuers, TSX strongly recommends that issuers with significant connections to an emerging market jurisdiction contemplating listing on TSX arrange a pre-filing meeting with the Exchange.

These meetings are mutually beneficial, allowing TSX and the applicant to communicate directly and identify concerns, if any, at an early stage and consider how such concerns could be addressed. These meetings also provide an early opportunity for senior management and key representatives of the applicant to ask questions and understand TSX rules and listing requirements. Senior management, key directors and the sponsor (if applicable) of the applicant should be in attendance at pre-filing meetings.

More specifically, these meetings will provide a forum to:

- introduce TSX to the issuer, its business and key individuals;
- discuss any questions related to the listing process identified by the issuer and its advisors;
- identify the requirements and procedures that the Exchange expects will be applicable to the issuer's application; and
- identify potential issues and areas of concern the Exchange may have with the proposed listing.

These meetings can be accommodated at any of TSX's offices in Canada.

2. Management

Applicants for listing must meet TSX requirements for management (including directors). The Manual provides that "management (including the company's board of directors) should have adequate experience and technical expertise relevant to the company's business and industry

and adequate public company experience which demonstrates that they are able to satisfy all of their reporting and public company obligations".[2]

TSX therefore closely examines the composition, skills and knowledge of management and the board of directors, taking all relevant factors into account, such as the applicant's business and the principal jurisdiction of its business operations. Applicants must provide sufficient information regarding the background, experience and education of the directors and officers as part of the application process to enable TSX to properly complete this assessment.

In order to be satisfied that officers, directors and significant security holders will conduct the business of the company with integrity as well as in the best interest of security holders and the investing public,[3] TSX takes into consideration (i) the public company experience of management and the board, (ii) the independence of the board in relation to management and the significant security holder (if any), (iii) local business knowledge and experience in the jurisdiction of the applicant's principal business operations, and (iv) the qualifications of the CFO and audit committee members, as further detailed below. Management of an applicant is a very important factor for TSX in consideration of a listing application.

a) Public Company Experience

TSX considers public company experience of officers and directors a key component of assessing whether an applicant will be able to satisfy all of its reporting and public company obligations in Canada. Where an applicant's mind and management principally resides in an emerging market jurisdiction, key differences in reporting and disclosure obligations, as well as cultural differences which may influence how business is conducted, must be understood and appreciated.

TSX generally expects that a sufficient number of directors and key officers (e.g. CEO, CFO, COO or corporate secretary) will have North American public company experience, to support the fulfilment of reporting and public company obligations in Canada. TSX may also consider, when appropriate, public company experience from other countries such as the United Kingdom and Australia.

In particular, pursuant to its ability to consider all factors related to management of a company under Section 325 of the Manual, TSX expects that the CFO and the chair of the board of directors ("**Chair**") of Emerging Market Issuers will have North American public company experience. See also the discussion below in the section entitled "CFO—Suitability Requirement".

b) Independence

TSX considers independent oversight of management by the board a key component in support of the business of the applicant being conducted with integrity as well as in the best interest of its security holders.

Where an applicant has a significant or controlling security holder who also holds a key position in management, adequate independent oversight is of particular importance.

[2] TSX Company Manual, S. 311, 316, 321 and 325.
[3] TSX Company Manual, S. 325(2).

Adequate independent oversight of management by the board may be demonstrated by the following:

i) an independent director[4] acting as Chair. For applicants with a security holder that directly or indirectly controls, jointly or in concert, 50% or more of the votes attached to equity securities, and where such security holder also is an officer of the applicant, this requirement will be particularly important and TSX may require a majority of independent directors that are also unrelated to the significant security holder;

ii) at least one independent director[5] with relevant work experience in the jurisdiction (or similar jurisdiction) in which the issuer principally operates; and

iii) at least two independent directors[6] with North American public company experience, as discussed in the "Public Company Experience" section above, at least one of whom is resident in Canada.

As part of the independent directors' oversight of management, TSX generally expects that independent directors will carry out regular site visits at the location of principal business operations with local management.

c) Local Business Knowledge

TSX considers it essential that there be at least one director with significant knowledge and experience regarding the jurisdiction where the issuer principally conducts its business. Adequate knowledge and experience may be satisfied by having worked in the local jurisdiction (or a similar jurisdiction), having worked with businesses in the local jurisdiction (or similar jurisdiction) or having lived in the local jurisdiction (or similar jurisdiction). Ideally, such individual should also be independent and have public company experience as discussed above. TSX believes this gives the board of directors an ability to better oversee management and identify key risks in the business.

In addition, the remaining members of the board and particularly audit committee members must have a thorough understanding of the business and operating environment of the issuer. In this regard, TSX expects that Emerging Market Issuers will adopt robust procedures and processes to educate board members and officers about the local business environment and public company reporting obligations in Canada. TSX expects such education to be completed prior to listing or shortly thereafter.

d) Communication

Where management and board members are not all fluent in a common language or present in similar time zones, TSX may require that the Emerging Market Issuer present a communication plan to satisfactorily demonstrate how effective communication will occur. Such plan may include, for example, arrangements to ensure that the board has access to translated material documents on a timely basis and availability of simultaneous translation at board meetings. If

[4] Independent director is defined in Footnote 14, Section 311 of the TSX Company Manual.
[5] Independent director is defined in Footnote 14, Section 311 of the TSX Company Manual.
[6] Independent director is defined in Footnote 14, Section 311 of the TSX Company Manual.

the CFO and key local operational staff are not fluent in a common language, the applicant's communication plan must address how the CFO will perform his / her role.

At least one senior member of management (i.e., CEO, CFO, COO, corporate secretary or senior investor relations executive) is expected to be sufficiently fluent in English or French to effectively communicate with security holders and other stakeholders such as IIROC, TSX and applicable securities regulatory authorities. When management is located in a jurisdiction where there is a significant time difference, the communication plan should also provide for an appropriate contact during market hours with whom TSX and IIROC may communicate on a timely basis as necessary.

For any material agreements or documentation that the Emerging Market Issuer is required to file with TSX, both at the time of listing as well as post-listing, that are not otherwise available in English or French, an English or French translation by a qualified translator may be required.

e) CFO—Suitability Requirements

The CFO plays a key role in structuring financial reporting systems, and ensuring that financial reporting is completed accurately and on a timely basis, in accordance with all applicable rules and regulations. Sound financial reporting systems are a key component supporting the satisfaction of financial and other reporting requirements and that the business of the applicant is and will be conducted with integrity and in the best interests of security holders and the investing public.[7] Emerging Market Issuers may face more challenges in adopting and maintaining satisfactory financial reporting processes where the principal business operations are in an emerging market jurisdiction. These challenges may be further compounded when the applicant has a complex corporate structure.

The following factors support an individual's suitability as CFO:

i) a professional accounting designation is preferred; otherwise, significant and appropriate background and experience in an accounting or financial role may be acceptable in lieu of a professional designation;

ii) previous North American public company experience as a CFO or in another capacity such as controller or treasurer of a North American listed issuer. In the alternative, experience auditing North American listed issuers may also be considered acceptable, especially if relevant to the jurisdiction where the applicant carries out its principal business operations;

iii) written confirmation of the frequency of site visits to be made by the CFO in order to fully exercise his / her mandate, taking into account the nature and complexity of operations;

iv) demonstrated experience applying International Financial Reporting Standards;

v) a strong understanding of Canadian securities laws related to financial reporting matters;

[7] TSX Company Manual, S. 325(2).

vi) a thorough understanding of the business environment, as well as business customs and practices that may be unique to the local jurisdiction (or similar jurisdiction), in which the applicant's transactions are primarily conducted; and

vii) an ability to design and apply effective internal controls over financial reporting.

f) Audit Committee

The role of the audit committee is important in supporting compliance with financial reporting obligations. Transactions by Emerging Market Issuers may raise unique issues due to geographic, language or cultural differences which may increase the complexity of financial reporting.

In addition to financial literacy, the appropriateness of audit committee members, on an individual basis and collectively, may be supported by:

i) appropriate and relevant Canadian financial reporting skills and general familiarity with Canadian securities regulations related to continuous disclosure obligations;

ii) relevant work or board experience in the jurisdiction (or similar jurisdiction) and the industry in which the issuer principally operates;

iii) a thorough understanding of the local legal and political environment, as well as cultural and business practices; and

iv) experience in supervising international audit engagements for public companies.

3. Auditors

In exceptional circumstances where TSX is not satisfied that an auditor will be able to adequately discharge its responsibilities for a particular issuer, TSX may require a change of auditors as a condition of listing. TSX may also require as a condition of listing that Emerging Market Issuers provide advance notification for any proposed change of auditors. The appropriateness of an auditor may be supported by:

i) demonstrated satisfactory experience and expertise in the jurisdiction where the principal operations of the issuer are carried out, including the adoption of quality controls to ensure compliance with Canadian standards of quality control;

ii) the size and general resources of the firm;

iii) adequate experience in auditing other Canadian reporting issuers, including industry expertise for those issuers;

iv) effective oversight by Canadian regulatory authorities, including an ability for Canadian regulatory authorities to access working papers and audit files from the foreign jurisdiction upon request by such authorities;

v) whether the firm is a "participating audit firm" (as such term is defined in National Instrument 52-108—*Auditor Oversight* (or applicable successor instrument)) that is in compliance with any restrictions, sanctions or remedial action imposed by the Canadian Public Accountability Board ("**CPAB**") and is otherwise in good standing with CPAB;

vi) an ability to communicate effectively with management and the board, in particular, the audit committee; and

vii) an ability to execute or supervise the audit field work necessary to support the audit opinion either directly or indirectly through an affiliated component auditor, or evidence that the auditor can obtain appropriate comfort to rely on the affiliated component auditor to conduct the field work.

In addition, because of complexities that may surround financial reporting by Emerging Market Issuers, TSX expects auditors to review interim period financial statements (other than the fourth quarter) at the time of listing. As a condition of listing, TSX may require the review of interim statements on an ongoing basis post-listing.

4. Internal Controls

TSX expects applicants to have a comprehensive internal control system in place prior to listing on TSX. TSX may request that the CEO and CFO confirm to TSX in writing that the issuer's internal control over financial reporting provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS or GAAP, as discussed in TSX Staff Notice 2013-0003, as a condition of listing. In exceptional circumstances, TSX may further request that internal control systems be evaluated by independent auditors, other than the issuer's current auditors. Such evaluation would be expected to evaluate the implementation and operation of the internal control system, and whether such system effectively addresses key areas of risk. Such evaluation would take the form of a written report or letter to be provided to TSX commenting on the adequacy of internal controls as at the end of the most recently completed fiscal year. As a condition of listing, TSX may also require an annual report or letter to be provided to TSX commenting on the adequacy of internal controls.

Generally, TSX would not expect to request a review of an internal control system for an exploration stage resource issuer (or equivalent issuer which does not generate revenues) given that risks related to internal control issues would likely be more limited.

5. Sponsorship

Sponsorship requirements are described in Sections 312, 317, 322 and 326 of the Manual. Sponsorship by a participating organization of TSX may be an important factor in considering whether an applicant is suitable for listing. Historically, sponsorship may have been waived for certain applicants completing an initial public offering or brokered financing, or graduating from TSX Venture Exchange. TSX may still consider a waiver from sponsorship, however notwithstanding historical practices, Emerging Market Issuers should be prepared to provide sponsorship in conjunction with an original listing application.

TSX may also classify an Emerging Market Issuer as a non-exempt issuer, subject to Part 5 of the Manual, notwithstanding the fact that it may appear to meet the quantitative requirements of an exempt issuer. Accordingly, in such circumstances, sponsorship may also be required.

Sponsorship may be of particular assistance to TSX for Emerging Market Issuers. More specifically, sponsorship is a useful tool in gaining a better understanding of the applicant's business, financial position, business plan and managerial expertise, in addition to any relevant and material information about the jurisdiction in which it operates. When evaluating applications from Emerging Market Issuers, TSX is more likely to rely on the sponsor to provide relevant information in respect of the business environment and key risks in the jurisdiction where the applicant principally operates. Sponsorship is also helpful in supporting that officers, directors and controlling security holders will conduct the business of the applicant with integrity and the best interests of security holders and the investing public, and in compliance with the rules and regulations of TSX and all other regulatory bodies having jurisdiction.[8]

For issuers operating in emerging market jurisdictions, if sponsorship is required, a site visit by the sponsor and commentary on the site visit by the sponsor will be required. Sponsors may also be asked to comment on local business practices which are not consistent with Canadian business practices. In addition, TSX may identify other areas of concern to be addressed by the sponsor such as public company experience, local business knowledge, communication plan and related party transaction policy.

Applicants should confirm that TSX does not have an objection to their sponsor prior to the sponsor's engagement.

As noted below under the heading "Sponsorship—Publication of Sponsor, Exemptions and Waivers", TSX will commence publishing in its original listing bulletins the names of sponsors, if any, for all new TSX listings on or about August 1, 2015. Please see below for further details.

6. Related Party Transactions

Related party transactions are generally subject to additional scrutiny by TSX. For example, there are specific TSX rules and requirements applicable to related party transactions by non-exempt issuers in Part 5 of the Manual and to transactions that have not been negotiated at arm's length in Subsection 604(a) of the Manual. In TSX experience, related party transactions may be prevalent among Emerging Market Issuers that have a controlling security holder. TSX may also classify an Emerging Market Issuer as a non-exempt issuer, subject to Part 5 of the Manual, notwithstanding the fact that it may appear to meet the quantitative requirements of an exempt issuer, particularly where related party transactions may be a concern. Furthermore, in its discretion, TSX may take an expanded approach to reviewing transactions which may not strictly meet the definition of "related party transactions" under securities law, but where the transaction does not appear to have been negotiated at arm's length.

TSX may require Emerging Market Issuers to have a policy with respect to related party transactions, particularly if the issuer has a controlling security holder. Such policy should deal with matters such as independent director oversight and approval, public disclosure (news releases), reporting in financial statements and other continuous disclosure documents and requisite regulatory filings.

[8] TSX Company Manual, S. 326(g).

7. Non-traditional Capital or Corporate Structure and Ownership of Principal Assets

Where a complex or non-traditional corporate structure is used, such as a variable interest entity (VIE), the applicant must provide TSX with a satisfactory explanation as to why such a structure is necessary. TSX also needs to be satisfied that security holders will be adequately protected. Where TSX has concerns with the structure, it may require a legal opinion addressing the noted concerns. These concerns may include, without limitation, the legality of the structure under the laws of the applicable jurisdiction, the issuer's ability under the structure to repatriate funds from the emerging market jurisdiction, the issuer's ability under the structure to enforce applicable contracts and the ability of the issuer's security holders under the structure to have recourse against the assets of the issuer. A legal opinion confirming good standing and ownership of the principal assets may also be required in support of the appropriateness of such structure and to ensure adequate protection for security holders.

TSX expects comprehensive disclosure in a core disclosure document regarding any non-traditional corporate structure and any risks associated with the use of such a structure.

TSX may require title or other opinions related to the ownership of principal assets located in emerging market jurisdictions, particularly where TSX is not familiar with the jurisdiction and an independent technical report has not considered title or ownership.

Applicants should confirm that TSX does not object to their local law firms in emerging market jurisdictions prior to their engagement.

8. Background Research

For all applicants, TSX conducts local background searches on key management, board members and significant security holders and requires submission of personal information forms for this purpose. In addition, TSX may also conduct local corporate searches on an applicant, as well as its subsidiaries and affiliates. Some or all of these searches may be outsourced to investigative firms in the local jurisdiction where individuals reside and where the business of the applicant is principally operated. Applicants are expected to prepay expenses related to these searches. TSX staff will provide a preliminary estimate of costs on request following an initial assessment of the applicant.

9. Policies

TSX may require Emerging Market Issuers to have or adopt policies dealing with the following matters, which must be provided to TSX for prior review:

i) related party transactions;

ii) whistle blowing;

iii) anti-bribery, anti-corruption and ethical business conduct;

iv) local disbursements;

v) governance; and

vi) disclosure.

Part III—Ongoing Guidance for Emerging Market Issuers

Emerging Market Issuer applicants for listing should also be aware that as part of the original listing, TSX may require supplemental ongoing requirements such as pre-clearance of new senior management and board members, a change of auditors, a change to directors & officers insurance for security holder claims, as well as ongoing reporting on financial statement review, internal controls and sponsorship. Such supplemental ongoing requirements will generally be identified at the time of the original listing.

Part IV—Continued Listing Requirements for Emerging Market Issuers

In its ongoing monitoring of listed issuers for compliance with continued listing requirements and in conducting delisting reviews, TSX will assess compliance by Emerging Market Issuers with the matters discussed in this Staff Notice. If deficiencies are identified, TSX will contact the Emerging Market Issuer to understand how it intends to satisfactorily address the deficiencies. As such, currently listed issuers should be mindful of the guidance set out in this Staff Notice and proactively work to address any gaps.

SPONSORSHIP—PUBLICATION OF SPONSOR, EXEMPTIONS AND WAIVERS

TSX will commence publishing the names of sponsors in its original listings bulletins, if applicable, for all new TSX listings on or about August 1, 2015. If an applicant is exempt from the requirements of sponsorship or such requirements are waived, TSX will indicate that the issuer is exempt or that the requirement was waived in its original listing bulletins.

Applicants should contact their Listed Issuer Services Manager if they have any questions about this Staff Notice. Currently listed issuers should contact a Compliance & Disclosure Manager if they have any question about this Staff Notice.

Appendix A Summary of Comments

List of Commenters:

British Columbia Investment Management Corporation (BC IMC)	The Canadian Advocacy Counsel for Canadian CFA Institute Societies (CFA)
Canadian Coalition for Good Governance (CCGG)	Canadian Public Accountability Board (CPAB)
FAIR Canada (Canadian Foundation for Advancement of Investor Rights) (FAIR)	Fraser Milner Casgrain LLP (FMC Law)
Grant Thornton LLP (Grant Thornton)	Gordon Keep (Keep)
KPMG LLP (KPMG)	Maison Placements Canada Inc. (Maison)
McMillan LLP (McMillan)	MNP LLP (MNP)
Norton Rose Canada LLP (Norton Rose)	PIAC (Pension Investment Association of Canada) (PIAC)
PricewaterhouseCoopers LLP (PWC)	Taddle Creek Capital (TCC)
Stuart Wooldridge (Wooldridge)	Prospectors & Developers Association of Canada (PDAC)

In this Summary of Comments, the term "**Exchanges**" shall mean a reference to both Toronto Stock Exchange ("**TSX**") and TSX Venture Exchange ("**TSXV**"). Capitalized terms used and not otherwise defined shall have the meaning in the TSX Consultation Paper on Emerging Market Issuers dated December 2012 (the "**Consultation Paper**").

Responses set out in this Summary of Comments relate to TSX only, however, we acknowledge and thank the following contributors who submitted letters pertaining primarily to TSX Venture Exchange: Judith Hong Wilkin of Fogler Rubinoff LLP and Darrin Hopkins of Macquarie Private Wealth Inc.

Questions set out in the Consultation Paper that were not referenced in any of the comment letters received are deliberately omitted in the Summary of Comments below.

	Summarized Comments Received	TSX Response
1. Section 5.1—Potential Risks Associated with Listing Emerging Market Issuers: Are there any additional potential concerns that TSX should take into consideration?		
1.1	The Consultation Paper provides good outline of the major risks. (BC IMC, Keep)	Thank you for your comment.
1.2	Risks with Emerging Market Issuers may change after listing. For example, local governments may change their laws. (CFA)	Listed issuers have timely and continuous disclosure obligations that require disclosure of material risks. TSX will monitor changes to material risks which affect an issuer's ability to meet its continued listing requirements.

	The Consultation Paper does not adequately address the difficulty and costs for Canadian regulators in dealing with compliance, investigation and enforcement. (FAIR)	TSX appreciates that these risks may be present, however the remedies to these risks are not within the jurisdiction of TSX.
	Emerging Market Issuers should disclose resources available to investors through the legal system in the emerging market jurisdiction and provide a plan to compensate for failings in the rule of law. (TCC) Ease of repatriation to Canada and currency movement restrictions should be considered. (CFA)	TSX appreciates that these risks may be present, however the remedies to these risks are not within the jurisdiction of TSX.
	Net proceeds of financings should remain in Canada until they are needed, as determined by a truly independent board. (TCC)	In reviewing a listing application with a concurrent financing, TSX considers the use of proceeds. However, it is outside the purview of TSX to direct the use of proceeds.
1.3	Canadian experts such as investment dealers, lawyers, auditors and regulators may not have the appropriate resources and expertise to conduct due diligence. (FAIR)	Experts such as those identified are a necessary component of the listing process. If the expert lacks the appropriate resources and expertise to conduct due diligence on the issuer, TSX would expect the expert to decline the engagement or identify such inabilities. TSX conducts suitability reviews on all insiders and TSX believes it has appropriate information to conduct these suitability reviews. Where TSX does not have the appropriate information to conduct such suitability reviews and for certain jurisdictions, it engages contractors to assist.
	Hong Kong regulators have far better intelligence on directors and officers of Chinese issuers. (FAIR)	Where possible, TSX tries to obtain information from local regulators, however information sharing is subject to many constraints, particularly pertaining to personal information.
	Consider a detailed forensic audit paid for by the issuer prior to listing. (TCC)	TSX expects this type of due diligence to be conducted by a sponsor/underwriter where appropriate, rather than be required by TSX at the time of listing.
1.4	Financial reporting risk. Auditors, and potentially Canadian regulators, will have difficulty accessing records and reports from foreign issuers. (CFA)	TSX will require confirmation as to whether an auditor has access to the working papers and audit files and will defer to applicable accounting and auditing standards in that regard.

2. Section 5.2(a)—Definition of Emerging Market Issuer: What other factors should be considered in determining whether an issuer is an Emerging Market Issuer?

2.1	Confusion on the specifics with respect	"Nature of the business" refers to the kind of

	to "nature of the business" and "corporate structure". (BC IMC)	business the issuer conducts and the industry sector in which it operates (e.g. mining, manufacturing, real estate, etc.). Please refer to Section 3.3 of the Consultation Paper for a discussion of what is meant by complexity of corporate and capital structures and for certain examples.
2.2	Connection to Canada should be considered, based on: (i) the proportion of assets and operations that are overseas; (ii) the number of years "mind and management" has lived and/or worked in Canada; and (iii) the Canadian experience of the CEO and CFO, all directors and committee members (independent and otherwise), and external auditors. (CFA) The Corruptions Perceptions Index (CPI) should be considered. (MNP)	TSX has included in the Staff Notice the factors that it will consider in determining whether an issuer is an Emerging Market Issuer.
2.3	TSX and TSXV should have the same definition of Emerging Market Issuer. Two-stage test should be considered: (1) presumptive and qualitative test based on location of issuer's principal operations; (2) discussion as to why the issuer should not be considered an Emerging Market Issuer based on qualitative factors. The meaning of "principal" [business operations] should be clarified. Factors should be taken into consideration in their totality to overcome a presumption that an issuer is an Emerging Market Issuer. (KPMG)	The definitions of "emerging market issuers" used by TSX and TSXV are consistent. TSX will determine whether an issuer is an Emerging Market Issuer having regard to the specific facts and circumstances of the applicant, which follows the OSC's definition. TSXV has a more traditional definition of defining what an Emerging Market Issuer is based on a fixed set of criteria, but the TSXV definition is still consistent with the definition used by the OSC and TSX.
2.4	Long-standing international exploration and mining companies should be exempted from being considered Emerging Market Issuers unless inexperienced in the Canadian or equivalent public markets. (PDAC)	TSX will not automatically exempt issuers in any one industry from being considered Emerging Market Issuers. However, TSX will assess all relevant factors in determining whether an issuer—mining, exploration or otherwise—should be treated as an Emerging Market Issuer
3. Section 5.2(b)—Definition of Emerging Market Issuer: Should any specific factor(s) be determinative of whether an issuer is an Emerging Market Issuer?		
3.1	No one factor should be determinative. (McMillan, KPMG, PDAC)	TSX supports this approach.
3.2	Issuers should not be excluded solely on the basis of residency of management. The qualifications and	TSX does not expect to make a determination of whether an issuer is an Emerging Market Issuer based solely on one determinative factor and

	experience of directors should be taken into account. (PWC) The jurisdiction of a resource issuer's principal business and assets should not be the sole factor in determining whether the issuer is an Emerging Market Issuer. (PDAC) The location of the significant shareholders and CEO of the issuer (CFA), foreign residency and jurisdiction should be determinative. (Keep)	will take all relevant factors into account when making such a decision.
3.3	The jurisdiction of principal business operations for a resource issuer should be excluded since the majority of Canadian mining issuers have properties in foreign jurisdictions. (PDAC)	Along with other relevant factors, TSX will take the jurisdiction of the principal business operations of a resource issuer into account.

4. Section 5.2(c)—Definition of Emerging Market Issuer: Should TSX's focus exclude jurisdictions other than Canada, US, UK, Western Europe and New Zealand?

4.1	No other jurisdictions. (FMC) Exchange should harmonize definition with the OSC to avoid confusion. (PWC)	TSX's definition of Emerging Market Issuer is consistent with that of the OSC. Jurisdictions in addition to those listed may, however, be acceptable and will be reviewed by TSX on a case by case basis.
4.2	The Exchange should look at various factors such as whether the jurisdiction: (i) has civil or common law; (ii) has rule of law; and (iii) has a history of accounting processes similar to IFRS or US GAAP. (McMillan) Concern over including jurisdictions outside of those identified as an emerging market jurisdiction since some have sophisticated capital markets and should not be classified as emerging market jurisdictions. (BC IMC) The following countries should be excluded from the emerging market jurisdiction definition: Israel,[1] Brazil, Mexico, Poland, South Africa and Turkey[2] (CFA) Latin and South America,	TSX maintains discretion to include or exclude jurisdictions as emerging market jurisdictions in response to changing political, economic and other risk factors pertaining to each jurisdiction at the time of evaluation. TSX will examine all relevant indicators in respect of whether a jurisdiction is an emerging market jurisdiction, as submitted by the issuer and its professional advisors in making an application for listing, including: (i) the prevalence of the rule of law; (ii) a rating in corruption perception and transparency indices; (iii) a civil or common law jurisdiction similar to Canada; (iv) IFRS accounting standards; and (v) membership in key commercial and economic international organizations. TSX may also rely on reputable external sources and publications in making its assessment.

[1] Since Israel is included as part of the developed markets indices of MSCI World index.
[2] The FTSE Group considers these EMs to be more developed than others.

	(Keep) Hong Kong,[3] (FAIR) Singapore, Japan and South Korea, (McMillan) South Africa. (PDAC) The term "Western Europe" is vague. The Eurozone plus other countries such as the United Kingdom may be a better definition. (PWC) Should exclude some or all of the non-European jurisdictions defined as "designated foreign jurisdictions" in NI 52-107.[4] (KPMG)	

5. Section 5.2(d)—Definition of Emerging Market Issuer: Should resource issuers with independent technical reports ("ITRs") be exempted from definition of Emerging Market Issuer?

5.1	ITRs should be highly valued as the work is truly independent and firms have experience operating in emerging market jurisdictions. (Maison, Keep)	Due to the comments received, TSX continues to view ITRs as valuable documents but will not exempt issuers from being considered Emerging Market Issuers solely on the basis of having such a report. TSX will consider whether the issuer has Canadian management as a mitigating factor, in addition to whether the title opinion has been reviewed by the author of the technical report.
5.2	These issuers should not be exempted since having an ITR is not a high standard to meet and does not provide much assurance to investors. (BC IMC) A more holistic assessment of issuers is needed, including requirements listed in sections 3.1–4 of the Consultation Paper. (Grant Thornton) ITRs do not always identify and alleviate Emerging Market Issuer-related risks such as title to property. (PWC, MNP) If TSX intends to exempt resource issuers due to an ITR, a minimum standard of review for land titles must be adopted.	Please refer the response to comment 5.1.
5.3	ITRs should not alleviate the need for title opinions from qualified local counsel. (FMC) There should not be an automatic exclusion for issuers with	TSX agrees that having an ITR does not mitigate the need for an issuer to comply with applicable TSX rules. TSX will continue to request title opinions in instances where one

[3] Hong Kong is a member for the IOSCO Technical Committee of regulators from developed markets; the OSC has regulatory cooperation arrangements with Hong Kong's SFC and Hong Kong's securities regulatory legislation is comparable to that of the US and the UK.

[4] Australia, France, Germany, Hong Kong, Italy, Japan, Mexico, the Netherlands, New Zealand, Singapore, South Africa, Spain, Sweden, Switzerland or the United Kingdom of Great Britain and Northern Ireland.

	ITRs as they are not indicative of board experience or the risk profile of the company. (PDAC)	was not considered in the ITR, or where there is a significant risk.
5.4	Unclear whether TSX will impose similar requirements to TSXV which sets out title, regulatory approvals and permit verifications. (MNP)	TSX will not impose similar requirements to TSXV, unless set out in the Manual, the Staff Notice or the TSX conditional approval letter.
5.5	TSX should confirm that the technical report author is, in fact, independent. (Grant Thornton)	TSX relies on National Instrument 43-101—*Standards of Disclosure For Mineral Projects* and CSA oversight regarding the independence of a qualified person. Should TSX have concerns about the independence of a qualified person, TSX would direct those concerns to the CSA.
5.6	The technical report author, senior management and significant shareholders should be located in Canada. (Grant Thornton)	In our experience, residency of a qualified person is not typically a significant factor in assessing suitability. Generally, past experience, education and professional qualifications are more important.
5.7	The Consultation Paper does not explain why the qualifications of the experts preparing ITRs are not subject to the same level of concern as auditors. (MNP)	The discussion in the Consultation Paper regarding reliance on experts is based on our historical experience. We also considered the CPAB special report of February 2012 on auditing in foreign jurisdictions. TSX has in the past objected to the retention or engagement of an auditor in very limited and specific circumstances where there was an absence of sufficient experience, resources and/or oversight. We may similarly object to the retention or engagement of other third party experts who we may rely on for the purposes of listing qualification, such as legal counsel. Given the ongoing nature of the relationship between issuers and auditors, as compared to other third party experts (who generally have a more limited engagement), TSX has focused on auditors in the Consultation Paper and Staff Notice; however, we may similarly have concerns regarding other third party experts.

6. Section 5.3(a)—Management and Corporate Governance: What specific attributes and experience do independent directors require?

6.1	Current TSX procedures are appropriate. (Keep)	Thank you for your comment.
6.2	No specific characteristics, but board should be assessed as a whole.	TSX agrees and looks at specific director attributes, as well as the board as a whole,

	(CCGG, Wooldridge)	when making a determination about management suitability. TSX will closely examine the composition, skills and knowledge of an issuer's management and board of directors, taking all relevant factors into account, such as the issuer's business and the principal jurisdiction of its business operations.
6.3	Independence of directors in the local jurisdiction should be verified. Guidance regarding "independence" would be useful. (CFA)	Please refer to TSX Company Manual (the "Manual") Section 311, footnote 14 for the definition of an "independent director" as well as for guidance on what TSX will consider in assessing whether a director is independent.
6.4	Independent directors should be fluent in English or French as well as the language in which the issuer conducts its main business operations, or be provided with independent translation services. (CFA, CCGG) One director should be conversant in the language used in the region. (Grant Thornton)	TSX considers the methods an issuer has in place to facilitate communication and may, in appropriate circumstances, request a communication plan from the issuer.
6.5	Each independent director must carry out regular site visits which include meeting with local management and its advisors. (CCGG)	TSX agrees and generally expects that all independent directors will carry out regular site visits at the location of principal business operations with local management as part of the independent directors' oversight of management,
6.6	Each independent director must attorn to the jurisdiction of the appropriate Canadian court, so that an action can be brought against a director in Canada. (CCGG).	This is outside the scope of TSX jurisdiction and the Consultation Paper.
6.7	"Local business experience" means actual working experience in the emerging market jurisdiction as opposed to experience working with a North American company with a significant presence in a foreign jurisdiction. (CCGG) There should be guidance in regard to acceptable experience and what "significant" means. (FMC) An independent director should have an understanding of the laws and regulations within the principal emerging market jurisdiction in which the issuer operates. (Grant Thornton) Caution against recruiting directors whose	TSX considers it preferable that at least one independent director has significant knowledge and experience of the jurisdiction. Generally, this knowledge will be derived from having lived and/or worked in or with the local jurisdiction (or similar jurisdiction). The meaning of acceptable or significant experience is fact specific and will be assessed on a case by case basis.

	cultural norms do not support asking questions of superiors. (Wooldridge)	
6.8	As a whole, the board should have Canadian public markets experience, as well as knowledge and experience in the principal business jurisdiction. If Canadian directors are required to have "significant" knowledge and experience in the principal business jurisdiction of the issuer, this will limit the talent pool. (FMC, PDAC, Wooldridge)	TSX agrees that it does not want to unduly limit the pool of qualified directors. TSX looks to board composition as an important aspect of corporate governance and risk mitigation, while being cognisant of the impact on director candidates.
6.9	Directors generally have broad business knowledge and experience that can be applied to new situations. TSX should ask directors how they will understand the business environment in the jurisdiction in question. At least two board members should be resident in North America. (PDAC)	Board composition is looked at as a whole by TSX, and business experience is one of the factors upon which directors will be assessed. TSX will consider public company experience as a key component of whether an applicant will be able to satisfy its reporting and public company obligations in Canada. TSX will also expect that a sufficient number of directors and key officers have North American public company experience, in particular, the CFO and chair of the board.

7. Section 5.3(b)—Management and Corporate Governance: How many (or what %) directors should be independent with public company and local business experience?

7.1	At least 50% should be independent directors (CFA, CCGG, Keep) with knowledge of Canadian reporting standards. (Wooldridge) At least two directors should be independent with public company experience and significant knowledge and experience in the principal jurisdiction (PIAC) as well as with a basic understanding of Canadian securities regulation and Exchange listing requirements. (CCGG) A minimum of two, assuming that management also has expertise in local markets. If management does not have that expertise, then a greater number of directors should have local experience and public company experience in a developed market economy rather than in an emerging market jurisdiction. (CCGG, PIAC, Wooldridge)	TSX acknowledges various opinions on this issue. TSX will assess the board as a whole. Issuers can demonstrate adequate independent oversight by the board by having, among other things, at least one independent director with relevant work experience in the jurisdiction (or similar jurisdiction) in which the issuer primarily operates and at least two independent directors with North American public company experience, at least one of whom is resident in Canada. Issuers can also demonstrate adequate independent oversight by the board by having at least one independent director with North American public company experience who is resident in Canada. Based on other comments and concerns for the limited pool of qualified directors that may be available, TSX has maintained guidance for a minimum of one independent director with local work experience in the jurisdiction (or similar jurisdiction in which the issuer primarily operates).

	At least one independent director and at least two directors with Canadian or equivalent market public company experience. (PDAC) At least one independent director should have knowledge of the local jurisdiction and one independent director should have knowledge of Canadian standards and legal requirements. (CFA, FMC, MNP) One independent director with local market experience is insufficient. (PIAC)	
7.2	If the issuer's securities are only listed in Canada, TSX should require a greater number of independent directors with Canadian public company experience. (CFA)	This is one of the factors TSX will take into consideration when assessing the composition of the board.

8. Section 5.3(c)—Management and Corporate Governance: Should an independent chair be required for all Emerging Market Issuers? It is sufficient to require an independent chair only if other risk factors are present?

8.1	Independent chair should be required for Emerging Market Issuers and considered for all issuers. (CCGG, PIAC, PDAC, Grant Thornton, Keep, FMC) Lead directors are only acceptable as a transitional step in extraordinary circumstances. (CCGG) Appointment of independent chair or lead director should be fact specific. Size of operations and assets in the foreign jurisdiction should be considered. (MNP)	At this time we are soliciting comments for Emerging Market Issuers rather than all issuers. TSX generally expects an independent chair or independent lead for Emerging Market Issuers, particularly when other risk factors are present, and will be considered as part of an issuer's corporate governance as a whole.
8.2	When there is a controlling shareholder, the chair and CEO roles may be combined, provided that there is an independent lead director and processes to deal with conflicts of interest. (CCGG, PIAC) For issuers with a controlling shareholder, the board should have a majority of independent directors and two of such independent directors should have previous Canadian or equivalent public company experience.	TSX agrees that where an applicant has a significant or controlling security holder who also holds a key position in management, adequate independent oversight is of particular importance and this may be demonstrated by the issuer having an independent director act as chair.

	(PDAC) An independent chair is not always needed but is recommended in conflict/control situations. (Keep)	

9. Section 5.3(d)—Management and Corporate Governance: If independent chair is not required or present, will an independent lead director suffice?

9.1	Yes. (CFA) Yes, though this is not the preference. (PIAC, CFA)	TSX generally agrees that an independent lead director may suffice if an independent chair is not present, however each application will be reviewed based on its facts.

10. Section 5.3(e)—Management and Corporate Governance: Additional corporate governance measures to be considered for Emerging Market Issuers?

10.1	Companies should be required to submit educational manuals for directors which include a review of issues specific to the applicable Emerging Market Issuer(s), including an explanation of cultural differences in business practices, banking and currency restrictions in the jurisdiction, and any industry or financial regulations that differ significantly from those in Canada. (CFA)	TSX is supportive of director education but does not anticipate reviewing the adequacy of educational materials prepared by issuers. TSX will, however, consider director education measures as one of the factors in assessing an issuer's corporate governance strength.
10.2	Where management is located outside of Canada, TSX should require recordkeeping of the board's communications with management with predetermined frequency. (CFA)	This is outside the scope of TSX jurisdiction and the Consultation Paper.
10.3	Board committees (e.g. compensation, nominating and governance) should be comprised of a majority of independent directors. (CCGG)	Securities laws recommend that a majority of compensation committee and nomination committee members be independent. TSX does not intend to adopt separate requirements for board committee independence.
10.4	There should be a whistle-blowing policy. (FMC)	TSX requires issuers to adopt appropriate corporate governance policies such as, where applicable, a related party policy as well anti-corruption / anti-bribery and whistle-blowing policies.
10.5	Educational/training programs would be beneficial for directors who do not have experience with Canadian or similar capital markets and to assist with language issues and management oversight in emerging market jurisdictions. (FMC, MNP)	TSX does offer courses on TSX rules, however, these are more general and not targeted toward Emerging Market Issuers. We note that there are also many course offerings on Canadian reporting and other standards. TSX expects that Emerging Market Issuers will adopt robust procedures to educate board members and

		officers about the local business environment and public company reporting obligations in Canada and expects this education to be completed prior to listing or shortly thereafter.
10.6	Ensure the issuer has a representative in Canada to respond to regulatory questions in a timely manner. (Keep)	When management is located in a jurisdiction where there is a significant time difference, TSX may require the Emerging Market Issuer to present a communication plan which should provide for an appropriate contact during market hours with whom IIROC and TSX may communicate on a timely basis, as necessary.
10.7	TSX should consider evidence of succession planning as an additional Emerging Market Issuer governance requirement, especially for family-controlled companies. (PIAC)	This is generally outside the scope of TSX's jurisdiction, unless we are made aware of an impending change to senior management.

11. Section 5.4(a)—Financial Reporting: Additional factors for suitability of CFO? How important is CFO's demonstrated local business knowledge and experience?

11.1	No other factors are necessary. (Keep, CCGG).	Thank you for your comment.
11.2	Important to clarify the meaning of "local business knowledge". (CCGG)	"Local business knowledge" will be assessed based on a variety of factors, including the individual's experience working, conducting business and living in the local or similar jurisdiction. While important, it will not necessarily be determinative of suitability as TSX may take into account the local business experience of other senior officers, audit committee numbers or financial reporting team members.
11.3	If the CFO does not have strong local knowledge, the issuer should demonstrate that it can rely on alternative resources (e.g. bilingual controller). (Keep) The size of the company where the CFO acquired his/her experience is an important consideration. (CFA) Demonstrated local business knowledge and experience is very important (CFA, CCGG) Failure to understand nuances in financial reporting in the emerging market jurisdiction may lead to CFO not making the necessary inquiries to ensure	TSX is of the opinion that the CFO plays a key role and will look to a variety of factors to support an individual's suitability as CFO. These factors include an understanding of the business environment, as well as business customs and practices that may be unique to the local jurisdiction in which the applicant's transactions are primarily conducted. Please also refer to the response to comment 11.2.

	accuracy of financial statements. (CFA) Local business knowledge should not be a specific requirement nor should it be determinative of suitability. (PDAC, FMC)	
11.4	Proposals do not include the same list of factors regarding the adequacy of auditors. (PWC)	As the auditors and CFO have different responsibilities, the factors regarding adequacy and suitability differ. However, certain supporting factors have been identified for CFOs, which are similar to those for auditors.
11.5	Agree with qualifications, but Consultation Paper does not address how management will be able to communicate effectively in both English and the language of the emerging market jurisdiction. It is impractical to rely solely on translation. Generally, CFO should have demonstrated knowledge of customs and business practices. (MNP) CFO should be fluent in both languages; understand Western values and methods but live in the emerging market jurisdiction; be trusted by the CEO, yet independent enough to speak out against fraud. (TCC) Fluency in the language spoken in the principal business jurisdiction by the CFO or one of his team members is essential. (CFA)	TSX agrees that at least one member of senior management is expected to be sufficiently fluent in English or French and the language of the emerging market jurisdiction. TSX will review all other relevant factors. If the CFO and key local operational staff are not fluent in a common language, TSX will assess whether the issuer's communication plan should be required to address how the CFO will effectively perform his/her role.
11.6	If the CFO does not have significant Canadian securities law experience, the issuer may demonstrate how it will address this issue. (FMC) Consideration should be given for experience in similar jurisdictions. Experience in one emerging market jurisdiction may translate into knowledge and experience in another emerging market jurisdiction. (Grant Thornton)	TSX agrees that experience in one emerging market jurisdiction may translate into understanding of another emerging market jurisdiction and we have provided for acceptance of experience in the local jurisdiction or a similar jurisdiction.
11.7	Imposing restrictive requirements may result in a small pool of qualified candidates and increased costs. (FMC, Norton Rose, MNP) Lack of experience may be resolved through training.	Please refer to the response to comment 6.8.

(MNP) While the candidate pool may be limited by imposing these requirements, Exchanges should not settle. (TCC)

12. 5.4(b)—Financial Reporting: Additional factors relevant to suitability of audit committee members? How important is demonstrated local business knowledge and experience for the audit committee?

12.1	All major factors have been listed. (CCGG, Keep)	Thank you for your comment.
12.2	If the CFO has demonstrated local business knowledge then the audit committee does not need specific knowledge. (Keep) Demonstrated local business knowledge and experience is very important. The committee must understand the process behind the audit and ask the relevant questions of auditors or management. (CFA, CCGG) If each audit committee member does not have significant experience with Canadian securities law, the issuer may show how it will address this issue. If the requirement is that each audit committee member has both significant experience in Canada and the local jurisdiction, candidate pool may be very limited. (FMC, Norton Rose)	TSX will assess the appropriateness of the audit committee overall and of individual members by considering: the level of Canadian financial reporting experience, knowledge of Canadian corporate governance standards and familiarity with Canadian securities regulations related to continuous disclosure; relevant work or board experience in the jurisdiction (or similar jurisdiction) and the industry in which the issuer primarily operates; understanding of the local legal and political environment as well as cultural and business practices; and experience supervising international audit engagements for public companies. TSX is cognizant of not unduly limiting the potential pool of committee members.
12.3	It is important for the committee to have sufficient knowledge of North American governance standards and familiarity with Canadian securities regulators. (MNP) Important for at least one committee member to have knowledge of customs, cultural and business practices. (MNP) The chair of an Emerging Market Issuer's audit committee should have previous experience on an audit committee of a Canadian or equivalent market listed issuer. (PDAC)	Thank you for your comments.
12.4	TSX should have resources to train audit committees to deal with language barriers, hot topics and best practices. (MNP)	As the requirements for an audit committee and their functions are generally dealt with under securities laws, this is outside the scope of TSX's general expertise and resources.
12.5	Proficiency in the language in which the	TSX will assess, among other things, the ability

	issuer conducts its main business operations and/or seamless access to independent translation services should be considered. (CFA) At least one auditing executive should demonstrate proficiency in the language in which the issuer conducts its main operations. (CFA)	of the auditor to communicate effectively with management and the board, and in particular, the audit committee.
12.6	Lead/group auditors must ensure they engage component auditors who are legally permitted to perform audit procedures in a foreign country (if applicable). (CPAB)	This is outside the scope of TSX jurisdiction.

13. Section 5.4(c)—Financial Reporting: Additional factors in assessing the appropriateness of an Emerging Market Issuer's auditors? How important is demonstrated local business knowledge and experience for the auditors?

13.1	All major factors have been listed. (CCGG)	Thank you for your comment.
13.2	Issues concerning auditor qualification should be addressed through CPAB and the CSA to ensure effective, consistent and non-duplicative regulation of the profession. (MNP, PWC) If the auditor at the time of an issuer's IPO is not CPAB registered and does not intend to become registered, the Emerging Market Issuer should have a clear plan to transition to a CPAB registered firm. (PWC) The Exchange should liaise with the CSA regarding the scope of NI 52-108 if it believes that auditors should be registered with CPAB for financial statements included in an IPO prospectus. (PWC)	TSX expects that an auditor has appropriate qualifications, including registration with CPAB as a participating audit firm, as set out in the Staff Notice. In the absence of such registration, TSX agrees that the issuer would need to provide a plan or explanation with respect to satisfying its requirements under NI 52-108.
13.3	The independence of auditors should be considered. (BC IMC)	This is outside the scope of TSX jurisdiction and the Consultation Paper.
13.4	The ability of Canadian regulators to remove working papers and audit files from certain foreign jurisdictions is out of the auditor's control. The relevant factor is whether the auditor has the ability to meet the requirements of CAS 600—*Audits of Group Financial Statements* (if applicable) and obtain	TSX will require confirmation as to whether an auditor has access to the working papers and audit files and will defer to applicable accounting and auditing standards in that regard.

	appropriate audit evidence to support the audit opinion. (Grant Thornton, MNP, PWC) Canadian audit firms and regulators must have access to the reports and working papers of the auditors in an emerging market jurisdiction. (CFA) Lead/group auditors should consider their ability to remove working papers and audit files upon request from regulatory authorities. (CPAB) Consider any protocols in place to allow authorities to access working papers and files from a jurisdiction where the ability to remove such documents may be prohibited. (KPMG)	
13.5	Concern about the requirement for the auditor to directly execute audit field work. Unclear as to meaning of "directly execute". Under CAS 600 *Audits of Group Financial Statements*, auditors should have the ability to use affiliated or non-affiliated auditors in local jurisdictions. (KPMG, PWC) Legal or licensing restrictions may prevent a Canadian auditor from performing work in certain jurisdictions. Consider how the group auditor executes the audit. (KPMG) An issuer's Canadian auditor should have an affiliate that is based in the local jurisdiction. (FMC) Auditor's knowledge of the foreign jurisdiction should not be a pre-requisite as it can be gained through the course of the audit via affiliated firms. (MNP)	Auditors may rely on affiliates in the emerging market jurisdiction provided that they are complying with applicable laws and regulations.
13.6	Local business knowledge and experience is very important for auditors. (CCGG, CPAB, CFA, PDAC, Keep)	TSX agrees that local business knowledge and experience is important. The appropriateness of an auditor may be supported by various factors as set out in the Staff Notice
13.7	Additional disclosure should be required by the auditors as to the relevant qualifications and experience of the audit team. (PDAC)	This is outside the scope of TSX jurisdiction and the Consultation Paper.
13.8	More clarity is needed around what "size and general resources" of the [audit] firm means. (PWC)	TSX may object to the engagement or retention of auditors that are not adequately staffed to complete their mandate. TSX expects that the

		national audit firms will generally have sufficient resources to conduct audits of Emerging Market Issuers. Local and smaller firms may be required to make submissions to TSX in this regard.
13.9	Concern with any proposal to pre-clear auditors of Emerging Market Issuers. Auditor qualification questions should be universally applied. If TSX were to adopt a policy to review auditor qualifications, this would open up the potential to question all experts engaged by Emerging Market Issuers. (MNP)	In rare circumstances, where the appropriateness of an auditor cannot be supported, TSX may refuse to accept an applicant for listing unless the applicant engages a different auditor. The appropriateness of an auditor will only be assessed with respect to a particular Emerging Market Issuer having regard to the indicia set out in our Staff Notice. Please also refer to the response to comment 5.7.
13.10	If the auditor is in good standing with CPAB and generally has appropriate resources and expertise to carry out an audit, how will one firm be compared against another? If an expert's qualifications are to be evaluated, would a qualified expert complete this evaluation on behalf of TSX? (MNP)	Please refer to the response to comment 13.9.
13.11	Investors may incorrectly perceive the examination of an auditor's qualifications as an effective way to reduce the risk in investing in Emerging Market Issuers and this will perpetuate the misconception that the auditor is the ultimate protector of the public. An audit cannot necessarily detect fraud. (MNP)	We believe that investors understand that all gate keepers (auditors, bankers, legal counsel, exchanges and securities commissions) play a role in minimizing risks related to Emerging Market Issuers.

14. Section 5.5(a)—Internal controls: Should TSX require comfort around internal controls in the form of a certification, management report, et cetera? If so, for all Emerging Market Issuers or on a discretionary basis? Should any category of issuer be exempt?

14.1	All Emerging Market Issuers should provide comfort on their internal control system which should be devised by the CFO and CEO. If the board or the executive officers lack experience in designing such a system, outside experts should be brought in. (CFA) Management should provide a certification to TSX at the time of original listing regarding internal control over financial reporting as well as over	As a condition of listing, TSX may request that the CEO and CFO confirm to TSX that the internal controls provide reasonable assurance of the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS or GAAP, as discussed in Staff Notice 2013-0003. As a condition of listing, TSX may also require an annual written report or letter provided to TSX from independent auditors, other than the issuer's auditors, commenting on the adequacy of controls.

	disclosure controls and procedures. The most cost effective option may be for TSX to have the auditor only audit the suitability of the entity's internal control over financial reporting, rather than the operating effectiveness. (KPMG)	
14.2	No need for the comfort of internal control certification (Keep).	In certain circumstances, TSX believes it is appropriate to request comfort on this issue.
14.3	Certain low risk categories of issuers such as exploration companies (Keep, PDAC) or early stage issuers should be exempt. (PWC) The high costs of preparing and auditing internal controls may be a deterrent to listing. (PDAC, PWC) In certain circumstances, such a review may be appropriate for Emerging Market Issuers that are producing mining issuers, but this should be required on a discretionary basis in high risk situations and where there are exceptional concerns. (PDAC)	TSX agrees and generally does not expect to request a review of an internal control system for an exploration stage resource issuer (or equivalent issuer which does not generate revenues), given that risks related to internal control issues will likely be more limited.
14.4	There is no guidance in the audit standards with respect to providing "comfort" on internal controls. TSX should be more specific regarding: (i) requirement for "comfort" e.g. CAS 5925 may be applicable; (ii) how "comfort" over internal controls is defined; and (iii) the timing and scope of comfort provided. (Grant Thornton) If TSX requires some level of comfort over internal controls, the auditor could be engaged to provide a walk through of the process narrative and then prepare a report. (KPMG)	The comfort TSX requires will be determined in the context of the specific application. In some instances it may be sufficient to have a CEO/CFO certification; in other instances it may be necessary to require an audit over all or a portion of the internal controls over financial reporting and disclosure controls and procedures.
14.5	The Exchanges should focus on the specific controls that they are interested in rather than all controls over financial reporting. E.g.: CICA Handbook Section 9110 report—Agreed Upon Procedures Regarding Internal Control Over Financial Reporting. (PWC)	TSX would expect an evaluation to be done by independent auditors, who are not the issuer's usual auditors. The evaluation will report on the implementation and operation of the internal control system, and whether it effectively addresses key areas of risk. TSX expects such an evaluation would take the form of a letter or a report in writing provided to TSX commenting on the adequacy of internal controls as at the end of the most recently completed fiscal year. TSX will only ask for comfort on specific items where such comfort is necessary.
14.6	The proposed requirement sets a higher	TSX believes that it is appropriate to impose

	standard than for domestic filers. Not clear if material weaknesses might disqualify a company from listing. (PWC)	these additional requirements and that such requirements may assist in identifying and mitigating the risks associated with certain Emerging Market Issuers rather than disqualifying otherwise appropriate listings. A material weakness may disqualify a company from listing if it cannot be adequately addressed.
14.7	Unclear why TSX wants Emerging Market Issuers to provide additional internal controls reporting. No assurance that an appropriate system will prevent accounting errors (especially when management has an intent to be deceitful). (MNP)	While TSX agrees that there is no fail-safe way to prevent accounting errors, TSX feels that in certain circumstances robust internal controls can be an important aspect of risk mitigation.
14.8	The requirements for Emerging Market Issuers should address both internal controls over financial reporting and over disclosure controls and procedures. (KPMG)	TSX will consider such requirements in appropriate circumstances.

15. Section 5.5(b)—Internal Controls: Who is appropriate to provide a useful evaluation report on internal controls?

15.1	Auditors are the appropriate party to provide comfort around internal controls. (Grant Thornton, CFA, PDAC, Keep, MNP)	TSX generally agrees with this approach, however, in certain circumstances a CEO/CFO certification may provide sufficient comfort to TSX. Please refer to the response to comment 14.1.
15.2	An auditor who does not provide regular financial reporting audit services to the issuer should provide the evaluation on internal controls. (CFA, KPMG) The auditor should either be located in Canada or be located in a jurisdiction where the laws permit the auditor to provide all audit work to Canadian regulators upon request. (CFA)	TSX agrees that an auditor who does not provide regular financial reporting audit services to the issuer should perform the internal controls evaluation.
15.3	If the auditor is to provide a report, the applicable assurance standard needs to be defined specifically to concord with the CICA Handbook. (PWC)	Where applicable, TSX will work with the issuer and its auditor to specify the applicable assurance standard in accordance with the CPA Canada Handbook—Assurance.
15.4	Not appropriate for auditors to be required to undertake an internal controls evaluation and issue a report, this is the responsibility of the board and management. (Norton Rose)	While board and management are an integral part of internal controls, we believe there are appropriate circumstances where additional reviews and assurances are useful.

16. Section 5.5(c)—Internal Controls: What costs would be related to imposing such a

requirement?

16.1	Costs may outweigh any benefits as well as be a disincentive to listing. (Keep, MNP, Norton Rose) Costs would be dependent on the scope of the assurance requested. (Grant Thornton) Costs should not be a barrier to imposing a requirement for a report on internal controls. (CFA)	TSX is cognisant of the need to balance benefits and costs. Please refer to the response to comment 14.3.

17. Section 5.6(a)—Related Party Transactions: Should TSX take an expanded view of "related party transactions"? If so, what additional elements should be included in the definition to capture such transactions? Should TSX make such decisions on a discretionary basis?

17.1	TSX should adopt a principles-based approach to preserve flexibility and discretion. (CCGG, PIAC, Keep). A "public interest" test may help retain discretion and this expanded approach to related party transactions could be applied to all issuers, not just Emerging Market Issuers. (MNP)	TSX agrees that, where determined appropriate, it may classify an Emerging Market Issuer as a non-exempt issuer under Part V of the Manual, notwithstanding the fact that it may meet the quantitative requirements of an exempt issuer. This may be the case particularly where related party transactions are a concern.
17.2	No need to expand the definition. Board and management training to raise awareness and adequate disclosure should address these concerns. (Norton Rose)	While TSX understands that there are differing views on the point, TSX believes that an expanded approach to reviewing transactions that may not strictly meet the definition of "related party transactions" under securities law, but where the transaction does not appear to have been negotiated at arm's length is, on balance, appropriate. Certain thresholds for security holder approval and valuations are set out in Part V of the Manual.
17.3	TSX could consider establishing maximum thresholds of size and frequency for related party transactions. Issuers should be required to report to TSX on these transactions. (CFA)	TSX may require Emerging Market Issuers to have a policy with respect to related party transactions, particularly if the issuer has a controlling security holder.
17.4	TSX should take an expanded view of related party transactions. The existence of quasi-related party transactions could result in the need to carry out alternative audit practices. The potential of unidentified related parties or related party transactions invariably raises the risk associated with an audit	Audit practices are outside the jurisdiction of TSX and the Consultation Paper.

	of financials. (CPAB)	
17.5	Unclear which types of transactions are of interest to the Exchanges that are not caught under IAS 24 "Related Party Transactions" or NI 61-101. (PWC)	The types of transactions that would be caught are set out in Section 501 of the Manual.

18. Section 5.6(b)—Related Party Transactions: Should TSX classify all Emerging Market Issuers that have a controlling securityholder as non-exempt and therefore subject to Part V of the Manual regardless of their listing category? Alternatively, should all Emerging Market Issuers be classified as non-exempt?

18.1	All Emerging Market Issuers should be subject to the special listing requirements applying to non-exempt issuers. (CCGG)	Please refer to the response to comments 17.1 and 17.2.
18.2	TSX should not automatically classify all Emerging Market Issuers, or those that have a controlling security holder, as non-exempt companies. If the issuer's CEO and other "mind and management" are located in Canada and have experience with Canadian public companies, the exemption criteria should apply. (CFA) It may be appropriate to classify certain high risk Emerging Market Issuers that also have a controlling security holder as non-exempt (Keep), and require a higher level of transaction review. Commenter does not support automatically classifying all Emerging Market Issuers as non-exempt. (PDAC)	Please refer to the response to comment 17.1.

19. Section 5.7(a)—Non-Traditional Corporate/ Capital Structure: Should TSX refuse to list Emerging Market Issuers that have adopted a non-conventional structure? Are there certain structures that should be refused and others that may be acceptable?

19.1	Issuers should not be automatically excluded from listing due to these types of structures. Disclosure of the structure and its risks (including tax implications), and the reason or necessity for the structure should be considered by the Exchange. (CFA, FMC, McMillan, PWC, MNP, PDAC) All non-traditional structures should be supported by a plain language explanation of their necessity. The issuer must demonstrate how it will	TSX will not automatically exclude issuers with non-traditional structures from being listed but will require issuers to provide TSX with a satisfactory explanation concerning the necessity of the structure. TSX will need to be satisfied that security holders will be adequately protected and will have appropriate recourse to realize on the assets of the issuer. TSX expects comprehensive disclosure in a core disclosure document of any non-traditional corporate structure and of any risks associated with the use of such a structure. This

	mitigate the risks of potential misuse of the structure. TSX should specifically review proposed RTOs. (CFA)	expectation applies to all applicants, regardless the method of listing (IPO, RTO, or application from another market).
	Policy should focus on whether the structure presents a risk that TSX would consider unacceptable for a public company. (McMillan)	While TSX reviews circulars for certain limited matters such as TSX security holder approval requirements, it is management's responsibility to ensure that the disclosure is full, true and plain.

20. Section 5.7(b)—Non-Traditional Corporate / Capital Structure: Should sponsorship be required to comment on the necessity of the structure?

20.1	The sponsor should comment on the necessity of the structure. (CFA, Norton Rose, Keep) The sponsor should provide information on how many similar structures it has sponsored in the past and the success and observed challenges of such structures. (CFA)	We generally agree that sponsors should comment on any non-traditional structures. We also agree that all relevant information that the sponsor can provide about the nature of its experience with the structure will be useful.

21. Section 5.7(c)—Non-Traditional Corporate / Capital Structure: Should a legal opinion be required to support the validity of the structure? Should a legal opinion from the jurisdictions of the principal operations of the issuer be required?

21.1	Local legal opinion should be required for the approval of a non-traditional structure. (Keep) May be desirable to have local counsel provide an opinion to support the validity of the corporate structure and address matters such as: (i) effective control and ownership over the foreign operating entity; (ii) compliance with foreign investment restrictions and; (iii) the ability of a Canadian parent company to change the directors or management of the foreign operating entity. (FMC) The policy should expand the specific types of opinions that may be sought and provide guidance as to factors it will apply in determining which opinions will be required in regard to enforceability of contracts underlying VIEs and the ability to repatriate funds from overseas operations. (McMillan)	Issuers with a non-traditional corporate or capital structure should expect to be required to provide a legal opinion confirming good standing and ownership of principal assets to support the appropriateness of the structure and to ensure adequate security holder protection. TSX may require title or other opinions related to ownership of principal assets located in Emerging Market Issuers.
21.2	Legal opinions would not necessarily provide support for a particular accounting treatment as the legal form	We are seeking comfort of a legal nature with respect to the corporate structure of the issuer.

	may not coincide with the substance of a structure that is used for accounting purposes. (PWC)	
21.3	There should be a cost / benefit analysis prior to requiring such opinions. (PWC)	Non-traditional corporate/capital structures generally have sufficient risks to warrant a legal opinion. However, TSX will consider applicants on a case by case basis.

22. Section 5.8(a)(i)—Other Requirements—Sponsorship: Is it material information for an investor to know whether applicant was sponsored/exempted? If material, should it be made public by issuer or TSX?

22.1	This information is material and should be made public by TSX. (CFA, Keep, Norton Rose) The specific criteria considered by TSX when granting an exemption from sponsorship should be publicly available. (CFA, CCGG, Norton Rose)	TSX expects to commence publishing exemptions from sponsorship in listings bulletins on or about August 1, 2015.
22.2	If TSX exempts a company from sponsorship, there must be disclosure of why. (CCGG)	TSX will disclose that an exemption was provided or that sponsorship was not applicable in its listings bulletin. TSX does not consider it necessary to disclose reasons for an exemption
22.3	No significant benefit in disclosing whether sponsorship is required. (PDAC)	Based on other comments received, TSX has determined to publish the name of the sponsor or, if the applicant received a waiver or exemption, to publish such information.

23. 5.8(a)(ii)—Other Requirements—Sponsorship: If TSX publishes sponsor name, any impact positive or negative that stems from that?

23.1	Publishing the sponsor's name will increase transparency and will help investors gauge support for the issuer. (CFA)	TSX agrees and, when sponsorship is required, TSX will publish the sponsor's name in listings bulletins.
23.2	No significant benefit in disclosing the name of the sponsor. (PDAC)	Thank you for your comment.

24. 5.8(a)(iii)—Other Requirements—Sponsorship: Should TSX require sponsorship for all Emerging Market Issuers? If not, are current exemptions in Manual adequate?

24.1	TSX should require sponsorship from a TSX participating organization for all Emerging Market Issuers. (CCGG, CFA) Sponsorship should not be required for all Emerging Market Issuers (FMC, Keep). Should be at the discretion of the Exchange. (FMC)	Emerging Market Issuers should be prepared to obtain sponsorship in conjunction with original listing applications. However, in appropriate circumstances, TSX may consider waiving sponsorship. Where appropriate, TSX may classify an Emerging Market Issuer as a non-exempt issuer subject to Part V of the Manual, notwithstanding the fact that the issuer meets the quantitative requirements of an exempt issuer. Accordingly, in those circumstances, sponsorship is required pursuant to Section

		326 of the Manual.
24.2	Where a prospectus is filed, sponsorship should only be required where there are uncertainties or concerns that TSX needs addressed. However, agents should have conducted due diligence sufficient to enable them to provide a sponsorship letter without too much difficulty. (PDAC)	TSX appreciates that participating organizations conduct due diligence in the context of a listing by way of IPO. While TSX often waives sponsorship for non-exempt issuers listing by way of IPO, the risk profile of any issuer, and in particular of an Emerging Market Issuer, is taken into account in determining whether sponsorship is required.

25. 5.8(a)(iv) Other Requirements—Sponsorship: Should sponsorship reports be made public by Emerging Market Issuers?

25.1	Sponsorship reports should be made public. The form should be standardized with transparent methodology and guidelines for due diligence. (CFA)	TSX believes that the requirement to publish sponsorship letters may result in higher costs to issuers. We therefore concluded that the costs of making the reports public outweigh the benefits at this time.
	No (PDAC), otherwise the reports will become too boilerplate and reduce usefulness. (Keep)	TSX is also concerned that the quality of the sponsorship letter may decline if made public and in time may become "boilerplate".

26. 5.8(a)(v) Other Requirements—Sponsorship: Sponsor must be a participating organization of TSX. Should there be any other standards? If so, what organization would be suitable to adopt and enforce such standards? Is TSX the appropriate body?

26.1	TSX should review the history of a sponsor's previous sponsorship of Emerging Market Issuers. (CFA)	Sponsorship may only be provided by a TSX participating organization. We believe that the review of the history of the sponsor's previous reports will generally be of limited value as the performance of the issuer is mostly attributable to management.
	For issuers whose senior management is not familiar with Canadian capital markets and regulatory requirements, sponsors should be required to have an on-going relationship with the Emerging Market Issuer for [two years] to assist with compliance. (FAIR)	We believe that it may be helpful for a sponsor to have an ongoing relationship with the issuers it sponsors. We therefore appreciate the comment and may review our requirements in regard to sponsorship in the future. TSX may request ongoing sponsorship for Emerging Market Issuers on a case by case basis, where appropriate.

27. 5.8(a)(vi) Other Requirements—Sponsorship: Should sponsors' work be audited or otherwise subject to review? If yes, who is appropriate to review the work? What recourse or liability should there be for deficient work? What costs and consequences would flow from sponsors' work being reviewed?

27.1	Sponsors are in a similar situation to credit rating agencies in regard to independence and reliability of work	We understand that there may be potential conflicts of interest in the sponsor being paid by the issuer to provide a report to TSX.

	performed. Sponsors are paid by the issuer to provide an opinion on their suitability for listing and there is an inherent conflict of interest. Sponsors' processes for making decisions are neither uniform nor transparent. TSX should take a similar approach as the CSA in regard to credit rating agencies (see NI 25-101). (CFA)	Sponsorship is one of many factors considered by the Exchange in determining suitability for listing, as TSX must also be satisfied that the Emerging Market Issuer meets all listing requirements. We believe that conflict of interest may also be mitigated by reputational risk.
27.2	Sponsors should be reviewed by TSX only and, if found inadequate, the sponsoring firm may lose standing as a qualified sponsor. (Keep)	TSX may be unwilling to accept sponsorship by a participating organization in extreme circumstances. If an applicant is unable or unwilling to engage an acceptable sponsor, this may in result in TSX determining that an issuer does not meet listing requirements.
27.3	Any action to enforce sponsorship procedures would increase issuer costs, without significant benefits to shareholders and investors. If TSX is aware of a number of deficiencies in sponsor procedures that have unacceptable market consequences, a separate review of these procedures that could result in additional controls may be warranted. (PDAC)	In the event that TSX were to become aware of significant deficiencies in a particular sponsor's procedures TSX would deal with the sponsor and the deficiencies as appropriate. We agree that reviewing individual sponsorship with the benefit of hindsight may be problematic and that a review of all sponsorship procedures may be more useful, if warranted in the future.
27.4	Unclear if the "audit" of the sponsor's work is being used in the context of the CICA Assurance Handbook or to imply an accountability board for sponsors similar to CPAB's review of audit firms. (PWC)	TSX did not intend to imply that audit procedures within the CPA Canada Handbook—Assurance be utilized or that an accountability board be set up. Rather, TSX was using audit as a general word to refer to an outside review
27.5	A framework for such an audit would need to be established. The Exchange rule on the need for independence between the auditor of the sponsor's work and the listing entity needs clarification. (PWC)	Please refer to the response to comment 27.4.

28. 5.8(a)(vii) Other Requirements—Sponsorship: Are there items in addition to those in the Manual (s. 326) on which the sponsor should provide comments for Emerging Market Issuers?

28.1	Sponsors should consider tools used in the private equity markets to protect against fraud such as: (i) more stringent controls over bank account signing authority; (ii) supervision of use of proceeds; (iii) maintaining minimum working capital in Canada; (iv) forfeiture	These suggestions are outside the scope of TSX jurisdiction and the Consultation Paper.

	of shares in cases of malfeasance; and (v) security for key representations made by principals. (McMillan)	

29. Section 5.8(b)(i)—Other Requirements: Ongoing Requirements—Should TSX require a review of interim financials by auditors; a review of internal control systems by auditors; and update of sponsorship on an annual basis?

29.1	A review of internal systems should be performed periodically but not necessarily annually. (Norton Rose, CFA) The auditor performing the internal control system review should be different from the issuer's usual auditor. (CFA) There may be appropriate instances for TSX to request a review of interim financials or reporting controls, where warranted. (PDAC) Support recommendation to require a review of interim financial statements (Grant Thornton, CPAB). Additional procedures may be appropriate, such as a focus on continuous audit procedures on higher risk areas. (CPAB) Review of interim financials should be discretionary based on the nature of the business. (Keep) No need for review of internal controls. (Keep)	Due to the complexities that may surround financial reporting by Emerging Market Issuers, TSX expects auditors to review interim period financial statements (other than the fourth quarter) at the time of listing. As a condition of listing, TSX may require the review of interim financial statements on post-listing for a pre-determined period of time to support reliability.
29.2	Auditors should review interim financials for Emerging Market Issuers. Obligation should be ongoing for issuers in higher risk jurisdictions as opposed to only for a two year period. (McMillan)	TSX agrees and retains the discretion to require review of interim financials on a case by case basis.
29.3	More guidance should be provided in regard to the nature of the review. (McMillan)	TSX expects that interim reviews of financial statements will be conducted in accordance with the guidelines of the CPA.
29.4	Important to balance the need for an auditor review with the utility of the exercise, especially for junior issuers. (FMC)	TSX agrees. Please refer to the response to comment 29.2.
29.5	Unclear what the objective is of imposing interim reviews and internal control reporting. There is generally no testing of accounting records and a review engagement cannot be relied on	We understand that a review does not entail procedures that are as comprehensive as those undertaken in an audit, but we do believe that it is a useful review.

	to prevent or detect errors, fraud or illegal acts. (MNP)	
29.6	Requirement for auditor review of interim financials should either be: (i) consistent between TSX and TSXV; or (ii) less onerous for TSXV issuers to be consistent with proportionate regulation. (KPMG)	Given the differing risk profile and general regulatory framework of each exchange, there are often different approaches between TSX and TSXV.
29.7	The requirement should be clear as to whether the review covers only the current period or all periods presented. (KPMG)	Please refer to the response to comment 29.1.
29.8	If the initial due diligence done by the sponsor was thorough, an update of the sponsorship on an annual basis should not be required (Keep), unless concerns about aspects of the issuer's operations have been flagged during the initial review for future consideration. (CFA)	If TSX were to require on-going annual sponsorship for an issuer, TSX expects it would be in extraordinary circumstances to address very specific issues and concerns raised at the time of listing.

30. Section 5.8(b)(ii)—Other Requirements: Ongoing Requirements: Any other supplemental ongoing listing requirements that TSX should consider?

30.1	TSX should consider ongoing requirements with respect to: (i) material changes in equity participation by significant shareholders; (ii) material changes in equity participation by the CEO and other senior management; and (iii) receiving information about listing or delisting (or conditions of listing) of the issuer's securities in any other jurisdiction. (CFA)	Secondary trading transactions are outside the scope of TSX oversight and are dealt with under securities laws. Treasury issuances are reviewed by TSX. TSX would consider the delisting of an issuer in another jurisdiction as part of its ongoing continued listing requirements, depending on the reason for the delisting.
30.2	More information in MD&A and/or AIF should be provided in regard to complex and non-traditional structures; regulations and business practices of foreign jurisdiction and the risks associated with the jurisdiction; use of structured entities to establish control due to ownership restrictions imposed by governments; and policies and procedures used by management to address risks. (MNP)	TSX does not regulate the content of the AIF or the MD&A, but does expect disclosure regarding non-traditional corporate structures. Please refer to the response to comment 19.1.
30.3	Preferable for ongoing requirements to remain the domain of the CSA. (PWC)	Thank you for your comment.
30.4	Emerging Market Issuers should be required to have a minimum level of	TSX may consider requiring issuers to obtain sufficient directors' and officers' insurance for

	directors' and officers' insurance to ensure that shareholders have financial recourse. (FAIR)	security holder claims in appropriate circumstances.

31. Section 5.8(b)(c)—Other Requirements: Costs—Comment on additional costs that an applicant or issuer may incur as a result of the additional conditions TSX may impose.

31.1	Costs of any additional conditions should not be considered. (CFA)	TSX believes it is always important to conduct a high level cost/benefit analysis of imposing additional requirements. This is important to ensure that Canadian capital markets are efficient and remain competitive with other leading international marketplaces.
31.2	TSX fees have escalated and original listing fees are more than adequate to compensate TSX for work done. The discretionary application of higher hurdles should not generate additional revenue for TSX. Concerns about the conflict of interest of TSX as a for-profit company. (PDAC). Some TSX fees have become "cash grabs". (Keep)	As provided in the TSX listing fee schedule, in extraordinary circumstances, TSX may levy charges to cover expenses that are incurred in connection with due diligence or research which is deemed necessary to assess an applicant's suitability for listing, not for additional revenue.

32. General Remarks

32.1	Support for the Exchanges' review of Emerging Market Issuer related risks and the goal of providing market participants with specific guidance on listing considerations. (CCGG, CFA, Grant Thornton)	TSX would like to thank all of the contributors to the request for comment process. Your thoughtful feedback and suggestions are appreciated.
32.2	Concerns about increased regulation and increased compliance costs deterring desirable issuers from listing in Canada. (FMC, KPMG, PDAC, Maison, PWC, Norton Rose)	TSX considers the costs and benefits of its procedures and policies. Please also refer to the response to comment 31.1. There may be some cases where the costs are higher due to the risks presented by the issuer and the need to mitigate these risks. There are also instances where TSX will not list the issuer when the risks are too high.
	Stringent listing criteria should be applied equally to assess issuers, regardless of whether they are in Canada, in accordance with their risk profile, and should meet same accounting and auditing standards. (CFA, Maison, MNP, CFA)	TSX applies the same original listing rules set forth in the Manual to all applicants of the same category. The Manual provides sufficient flexibility for TSX to recognize and manage the various risk profiles of applicants for listing.
32.3	The Consultation Paper does not adequately address the difficulties Canadian regulators face when dealing with compliance, investigation and enforcement action against Emerging Market Issuers. (FAIR)	This is outside the scope of TSX jurisdiction and the Consultation Paper.

32.4	The Consultation Paper does not go far enough to address the potential for fraud with Emerging Market Issuers from emerging market jurisdictions with inadequate rule of law. (TCC)	Please refer to the response to comment 4.2
32.5	Exchanges should work with the CSA to ensure appropriate safeguards for Canadian investors. (FAIR) TSX should be mindful of policies overlapping with existing regulatory requirements. (PWC)	TSX continues to work with the CSA and other relevant regulatory bodies to support fair and efficient capital markets in Canada.
32.6	Exchanges should publish information in regard to whether the benefits of listing Emerging Market Issuers outweigh the costs. (FAIR, PWC) More information on the infractions by Emerging Market Issuers would have been useful. (PDAC) Consultation Paper should have compared Canada's experience and listing requirements with those of Hong Kong. (FAIR) Proposed requirements are too focused on financial reporting and historical financial information without consideration of the information investors actually rely on to make decisions. (MNP) None of the proposed changes would have avoided the collapse of Sino-Forest. (Maison)	Thank you for your comments.
32.7	Imposing regulatory requirements is not the correct solution. There are other ways to mitigate Emerging Market Issuer risks. (PDAC, Maison, McMillan, MNP) A "board mentorship" approach is preferable to Emerging Market Issuer regulation. Exchanges should retain discretion as to the application of their rules. (McMillan)	TSX agrees that it is important to exercise discretion to adequately address the unique risks and opportunities of each Emerging Market Issuer.
32.8	Requiring a board with a majority of Canadian or equivalent public company experience will be beneficial to Emerging Market Issuers. (PDAC)	Please refer to the response to comment 6.9.
	Support education for management, board members and audit committees. (MNP, McMillan)	TSX agrees and expects Emerging Market Issuers to educate board members and officers on the local business environment and public company reporting obligations in Canada.

32.9	Pre-filing conferences should be mandatory. (BC IMC, CPAB). Support use of pre-filing conferences. (McMillan) Education during pre-filing conferences would help Emerging Market Issuers understand the expectations that Canadian shareholders have. Issuers should not only comply, but adopt best practices. (BC IMC)	In light of the potential risks associated with listing Emerging Market Issuers, TSX strongly recommends that any issuer with significant connections to an emerging market jurisdiction schedule a pre-filing conference with the Exchange.
32.10	Exchanges should anticipate the need to provide interpretation guidelines as any new policies are implemented. (FMC)	TSX will continue to provide staff notices regarding any new guidance.