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Delivered By Email to: https://www.securities-administrators.ca/consultations/.

British Columbia Securities Commission

Alberta Securities Commission

Financial and Consumer Affairs Authority of Saskatchewan

Manitoba Securities Commission

Ontario Securities Commission

Autorité des marchés financiers

Financial and Consumer Services Commission (New Brunswick)

Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island

Nova Scotia Securities Commission

Office of the Superintendent of Securities, Service NL

Northwest Territories Office of the Superintendent of Securities

Office of the Yukon Superintendent of Securities

Nunavut Securities Office

Dear Sirs and Mesdames:

RE: Letter from SIMA to CSA commenting on Consultation Paper 51-406 Modernizing the Regulation of Public Companies

The Securities and Investment Management Association (**"SIMA")** appreciates the opportunity to comment on the Canadian Securities Administrators **("CSA") Consultation Paper 51-406 Modernizing the Regulation of Public Companies ("Consultation").**

SIMA empowers Canada's investment industry and is now the leading voice for the securities and investment management industry. The industry oversees approximately $4.5 trillion in assets for over twenty million investors and participates in the Canadian capital markets. Our members – including investment fund managers, investment and mutual fund dealers, capital markets participants, and professional service providers – are committed to creating a resilient, innovative investment sector that fuels long-term economic growth and creates opportunities for all Canadians.

SIMA operates within a governance framework in which we gather input from our member working groups. The analyses and recommendations of these working groups are submitted to the SIMA board or board-level committees for direction and approval. This process ensures submissions that reflect the input and direction of a broad range of SIMA members.

Summary:

We appreciate the opportunity to comment on the CSA's proposals and the broader questions raised in the Consultation regarding the Canadian public markets and capital-raising framework.

We support efforts to make the regulatory framework more efficient, predictable and responsive to the realities of today's markets. While there are areas where targeted changes could reduce unnecessary costs and procedural barriers, improve access to capital and make the Canadian market more competitive, we believe these objectives need to be balanced against the role that disclosure, due diligence and other investor protections play in maintaining confidence in the public markets. Changes intended to improve efficiency should therefore focus on removing unnecessary duplication and procedural impediments rather than creating alternative pathways that could, over time, displace the prospectus framework and its associated protections.

In addition, we see value in greater alignment with other major markets, particularly where differences in the Canadian framework create practical disadvantages without a clear corresponding investor protection benefit. Greater predictability, consistency and efficiency in the application of the rules would also help issuers and dealers access the Canadian capital markets more effectively.

General Comments

We support the CSA's objective of improving the efficiency and competitiveness of the Canadian capital markets. Our comments generally support greater flexibility where the existing rules do not provide a meaningful investor protection benefit, while maintaining appropriate safeguards where they remain important.

The prospectus regime remains an important component of the Canadian equity market, and changes to exempt financing and hold-period rules should not inadvertently create incentives for issuers to move away from prospectus offerings where the protections associated with that framework remain important.

We also encourage the CSA to recognize the different characteristics of equity and debt markets when considering regulatory changes. A more tailored approach may be appropriate where market practices, investor bases and disclosure requirements differ materially between the two.

Finally, greater alignment with other jurisdictions, particularly the United States, could improve the competitiveness and predictability of the Canadian market.

Please see responses below to the consultation questions that are of interest to our Capital Markets members.

Responses to Consultation Questions

Question A

A1. Does the current method of delineating between venture and non-venture issuers based on exchange listing continue to draw an appropriate line between issuers that should be subject to more or less extensive reporting issuer obligations, i.e., should the status quo be maintained? Why or why not? If you support a change, which of the three Options, if any, do you support and why?

We support an approach that provides issuers with greater flexibility and choice, while maintaining appropriate investor protections and a clear framework for determining the reporting obligations that apply.

We do not believe an exchange listing test, on its own, continues to provide an appropriate basis for determining the level of reporting obligations that should apply to an issuer. While exchange listing remains a relevant indicator of an issuer's characteristics, it is not necessarily a reliable measure of its size, operational complexity or capacity to meet more extensive disclosure requirements. Tying reporting status to listing venue can result in a change in reporting obligations when an issuer moves from a venture to a senior exchange, even where its circumstances and investor base have not otherwise changed in a way that warrants a different reporting regime.

Members views were divided on the appropriate approach. Support for Option A reflected a preference for targeted adjustments to the existing exchange-based framework to address proportionality concerns while retaining the current approach to issuer classification. Option C was supported by some members favouring mandatory graduation from venture exchanges once issuers exceed specified thresholds. One member who did not support any of the three options favoured a more fundamental alternative based on minimum listing requirements for junior and senior exchanges, with issuers choosing the market best suited to their circumstances.

While there was not a consensus among members on the preferred option, there was general agreement that the existing approach could be reconsidered to better reflect the different circumstances of issuers and avoid imposing changes in reporting obligations that are not warranted by those circumstances.

A2. What factors influence an issuer's decision to maintain a listing on a venture exchange or a non-venture exchange? In particular, to what extent, if any, do senior issuers remain listed on venture exchanges because of less extensive reporting obligations applicable to venture issuers? Please provide details, including the most significant factors motivating issuers in choosing a listing venue.

No comment.

A3. Questions related to Option A:

a. Are there specific venture issuer requirements that should be extended to smaller non-venture issuers, such as reduced requirements relating to corporate governance disclosure, executive compensation disclosure or business acquisition reporting? If so, which ones and why? Are there other requirements in addition to those we have listed?

   No comment.

b. Conversely, are there aspects of non-venture issuer requirements that should be applied to larger or more complex venture issuers? If so, which ones and why?

No comment.

c. Should foreign exchange listings be considered in assessing venture/non-venture issuer status? Why or why not?

No comment.

d. Are there specific foreign exchanges or marketplaces that should be considered as equivalent to Canadian venture or non-venture marketplaces for the purposes of determining venture issuer status? Why or why not?

No comment.

e. Are there additional accommodations that should be extended to smaller venture **issuers?**

No comment.

A4. Questions related to Option B:

a. What thresholds or criteria would be most appropriate? Considerations could include revenue, total assets, market capitalization, public float or other.

No comment.

b. At what point in time should these metrics be assessed, and how frequently should an issuer's status be reviewed to prevent issuers from moving repeatedly between venture and non-venture issuer status?

No comment.

c. How could this approach be designed to accommodate smaller non-venture issuers or larger venture issuers to effectively promote proportionality? For example, should there be further tailoring of reporting issuer obligations within the venture and non-venture issuer categories?

No comment.

d. Are there other factors or market impacts that we should take into account in considering this approach?

No comment.

A5. Questions related to Option C:

a. What metrics would be relevant in determining whether issuers should graduate from venture to non-venture exchange or tiers and why?

Market capitalization and public float would be the most relevant measures of an issuer's scale for purposes of determining whether it should graduate from the venture market. Both provide a more direct indication of the size and market presence of an issuer than exchange listing alone. They are also familiar and objective measures that are already used in other regulatory tests, including the WKSI and shelf eligibility frameworks.

b. Are there other factors or market impacts that we should take into account in considering this approach?

Consideration should be given to establishing a transitional period within the graduation framework. Under this approach, an issuer that meets or exceeds the applicable senior market criteria would not be required to delist from the TSXV immediately, but would instead be allotted a defined period, such as 12 months, to comply with the senior market's listing requirements.

A6. Are there aspects of regulatory regimes in other jurisdictions, or alternative or hybrid approaches beyond the options described above, that could inform the Canadian framework? If so, please provide details.

No comment.

Question B

B1. Should the CSA reconsider the current reporting requirements in financial statements for a subset of venture issuers?

a. If yes, what outcomes or improvements would you like to see?

No comment.

b. If not, why do you think the current requirements remain appropriate or necessary for all issuers regardless of size?

No comment.

B2. What characteristics (e.g., stage of development, operating complexity, industry, revenue level, or financing frequency) should determine which venture issuers might be eligible for an alternative or proportionate financial statement reporting approach?

No comment.

B3. What specific IFRS Accounting Standards requirements or disclosures present the greatest challenges for venture issuers in terms of cost or complexity? For example, are there particular standards or types of disclosures that require significant judgments, external valuations or specialised advisors?

No comment.

B4. As an investor, which aspects of a venture issuer's financial statements are most important to your decision making and which are less relevant, and why?

No comment.

B5. What other considerations should the CSA take into account when evaluating whether alternative or proportionate financial statement reporting approaches may be appropriate for certain venture issuers?

No comment.

B6. Are there aspects relating to the regulatory regime for financial reporting requirements in other jurisdictions that we should consider? If so, please provide details.

No comment.

Question C

C1. Should we reconsider the current hold period regime for reporting issuers? Why or why not?

We believe there is a basis to reconsider the current four-month hold period for reporting issuers, although we would not support doing so in a way that undermines the broader public disclosure regime.

One of the principal purposes of the hold period is to protect investors from trading securities issued by a non-reporting issuer before the issuer has established a track record of public reporting. That rationale is less compelling where the issuer is already a reporting issuer and has an established record of continuous public disclosure. In those circumstances, the issuer's existing disclosure record, together with the security-specific documentation provided in connection with the private placement, may provide a sufficient basis for investor protection.

There is also a legitimate liquidity consideration. A four-month hold restricts the ability of investors to trade securities during the hold period, which can be particularly significant where the securities are otherwise tradeable in the open market. A shorter period could therefore improve liquidity without necessarily compromising investor protection where the issuer is already subject to ongoing public disclosure requirements.

That said, any changes should be approached carefully. We do not support creating an unrestricted private-placement route that effectively allows securities issued to institutional investors to become freely tradable immediately. Given that private placements are generally a more efficient and less costly means of raising capital than a public offering, an unrestricted route could become the preferred structure for issuers to access the public market. Over time, this could weaken the role of the prospectus regime and the due diligence and disclosure protections that accompany a traditional public offering.

The objective should be to address legitimate financing and liquidity concerns without creating a parallel market with materially lower disclosure standards, particularly where the securities will ultimately be available to investors. In this regard, we suggest focusing on targeted improvements to existing frameworks, including the Listed Issuer Financing Exemption (LIFE), rather than broadly relaxing the rules applicable to private placements. Consideration could also be given to registration rights for private placements in circumstances where obtaining a prospectus at the time of issuance is not practical. This could provide a more measured structure for securities to become publicly tradeable while preserving a prospectus-based disclosure process where appropriate.

Member feedback favoured retaining the current 120-day hold period, although views differed on the extent to which the period could be shortened. A small number of members would consider a 60-day period, while more members support a minimum of 90 days. The latter view reflects, among other things, the importance of ensuring that the hold period extends into a subsequent quarterly reporting cycle. This would provide greater assurance that material information that may have been shared with institutional investors in connection with a private placement or wall-crossing exercise has subsequently been addressed through public disclosure before the securities become freely tradeable. It was also noted that reducing the period would widen the existing gap between the Canadian and U.S. regimes, where comparable securities are generally subject to a six-month hold. That divergence should be taken into account, particularly for cross-border offerings.

Finally, we believe the debt market warrants separate consideration. Debt securities are subject to different market dynamics from equity securities and are often issued through private placements without a prospectus at the time of issuance. In particular, consideration should be given to a carve-out for increases to existing debt positions where the relevant disclosure is already publicly available and investors are principally focused on the issuer's ability to make scheduled coupon and principal payments. More broadly, registration rights for privately placed debt could provide a practical structure where a prospectus is not feasible at the time of issuance. A differentiated approach for debt would address the liquidity characteristics of that market without weakening the disclosure and investor protection framework applicable to public equity markets.

C2. If we were to reconsider the current hold period regime for reporting issuers,

a. Should we consider a continuous market access regime like the BCSC proposed in 2004? Why or why not?

We do not support adopting a continuous market access regime of the type proposed by the BCSC in 2004. Our concern is that such an approach would represent a significant shift away from the prospectus-based framework that has traditionally governed public equity offerings, without fully recognizing the implications of that shift for disclosure and investor protection.

The proposal considered by the BCSC more than 20 years ago raised many of the same fundamental issues that remain relevant today. In our view, the distinction between a continuous disclosure regime and the prospectus process is important. A prospectus offering provides investors with a defined disclosure document, supported by a formal due diligence process, at the point when securities are being offered to the public. Relying primarily on an issuer's ongoing continuous disclosure record would provide a different level and type of protection.

b. What other areas of securities regulation should be considered in connection with potential changes to the hold period regime?

We believe the broader framework governing capital raising should be considered at the same time. In particular, any reduction or removal of the hold period should not inadvertently make private placements a substitute for prospectus offerings. A prospectus provides investors with protections that are not available in a private placement, including statutory rights of rescission and the involvement of underwriters and their associated due diligence. If securities issued privately can become freely tradeable with little or no delay, there is a risk that the incentive to use a prospectus could be reduced, potentially undermining the disclosure and investor protections associated with public offerings. This would represent a more fundamental change to the public market than simply shortening the hold period.

For that reason, we believe there is a strong case for improving existing mechanisms for efficient capital raising, particularly the Listed Issuer Financing Exemption (LIFE), before making more fundamental changes to the private-placement regime. In our view, several aspects of the LIFE framework could be made more workable and better aligned with private placements and prospectus offerings:

- **Pre-marketing and wall-crossing:** Current pre-marketing restrictions should be reconsidered to permit greater flexibility such as wall-crossing ahead of launch. Private placements permit issuers and dealers to pre-market a financing while it remains a private transaction, and there is a case for greater consistency where the LIFE framework is intended to provide an efficient alternative for reporting issuers.

- **Dealer position at closing:** The hold period applicable to a dealer where an offering is not fully sold at closing should be removed, such that any remaining dealer position is freely

tradeable. The existing restriction can be an impediment to dealers using the LIFE structure and can make the financing less attractive from an execution perspective.

- **Timing of the LIFE Offering Document:** Issuers and dealers should be permitted to launch a LIFE offering based on a press release and term sheet, with the LIFE offering document filed as soon as practicable following launch. This would better align the LIFE framework with private placements and prospectus offerings, where launch timing can be critical to the success of a financing. Requiring the LIFE offering document to be filed before launch can create avoidable delays at a point when market conditions and investor demand may be particularly time-sensitive.

- **Annual offering limit and dilution:** The annual LIFE financing limit should be increased, potentially to $50 million, but remain subject to an appropriate dilution test. The test should prevent a smaller issuer from raising an amount that is disproportionate to its market capitalization. For example, an issuer with a $10 million market capitalization should not be able to raise $50 million in a year without regard to the resulting dilution, whereas an issuer with a $50 million or $100 million market capitalization could have greater capacity to access the full proposed limit. This would provide an appropriate safeguard while making the LIFE framework more useful for smaller and mid-sized issuers that have the scale to support a larger financing.

We also suggest considering whether the hold period rules could be brought into closer alignment with the U.S. framework. This is particularly relevant in the context of securities pledged as collateral for margin loans. Where a borrower is a control person, the current Canadian rules can make it difficult for a lender to realize on pledged securities and sell them as freely tradeable securities without a prospectus or advance market notice. Greater alignment with the U.S. framework could provide lenders with greater certainty that, once the applicable hold period has expired, securities pledged as collateral could be sold by the lender without the lender being treated as a control person solely by virtue of holding the collateral, even where the borrower remains a control person. This would improve the liquidity of collateral available to lenders and reduce the practical difficulties that can arise when a lender needs to realize on collateral following a default.

C3. What are the current benefits to reporting issuers and their investors from a four-month hold period? In what circumstances? Would a different hold period be more appropriate to maintain those benefits?

The four-month hold period can provide important investor protection in circumstances where there is limited public information available about the issuer. In particular, for unseasoned or non-reporting issuers, the hold period provides a period during which the issuer can establish a public reporting record before privately placed securities become freely tradeable. Without a hold period, there is a risk that investors in the secondary market could acquire securities before there is sufficient public disclosure about the issuer and its financial and operating performance. In that context, the reporting cycle is an important consideration in determining an appropriate hold period.

A further benefit of the hold period is that it helps reduce the potential for securities issued through a private placement to be immediately flipped into the public market. This provides some separation between the private financing and subsequent secondary-market trading, and can help preserve the distinction between a private placement and a broadly distributed public offering.

However, the rationale is less compelling for an established reporting issuer with a current and continuous public disclosure record, such as a bank. Material information is required to be disclosed on a timely basis, including through quarterly reporting and prompt public disclosure of

material developments. Investors are therefore able to buy and sell the issuer's securities in the secondary market throughout the reporting cycle based on the issuer's publicly available information. In such circumstances, a four-month hold may provide less incremental investor protection than it does for an issuer that does not have an established public reporting history. A shorter period could potentially achieve the policy objectives of the hold period while improving liquidity.

One possible approach would be to tie the hold period to the issuer's reporting cycle, so that securities do not become freely tradeable until the later of a prescribed minimum period and the issuer's next reporting period. This would preserve the connection between the hold period and the availability of current public information, while recognizing that the same four-month period may not be necessary in all circumstances.

C4. LIFE allows a reporting issuer to issue free trading securities without a prospectus. Are there other circumstances in which a reporting issuer might be permitted to offer securities without a hold period, for example, if it has filed an annual information form and confirms that there are no undisclosed material facts or if investors are provided enhanced civil rights of action in relation to any disclosure provided, similar to the rights in connection with prospectus disclosure?

We do not support a broad expansion of the circumstances in which a reporting issuer could issue freely tradeable securities without a prospectus or hold period. A prospectus remains the mechanism that provides the broadest access to investors and the most comprehensive disclosure framework, together with protections that are not necessarily available in a private placement. We therefore think the four-month hold continues to have an important role in maintaining the distinction between privately placed securities and securities offered broadly to the public.

At the same time, we acknowledge there may be limited circumstances where a shorter or different approach to the hold period could be appropriate. For example, the institutional debt market warrants separate consideration where the issuer is a reporting issuer with an up-to-date public disclosure record and the relevant information about the debt security is already available to the market. As discussed earlier, we also see merit in registration rights as an alternative in appropriate circumstances. Where a private placement is completed with registration rights, the securities could become unrestricted once the issuer subsequently completes a prospectus offering, rather than requiring the full hold period to run from the original issuance.

We would, however, be cautious about creating a broader exemption based solely on the filing of an annual information form or a confirmation that there are no undisclosed material facts. Those steps would not replicate the disclosure, due diligence and investor protections associated with a prospectus offering. Similarly, enhanced civil liability rights could provide an additional protection, but would not necessarily address all of the differences between a prospectus offering and a private placement.

C5. If we were to reconsider the need for hold periods by reporting issuers, how might this affect the use of prospectuses and the benefits associated with the due diligence process that is conducted in connection with a prospectus including by underwriters and experts?

Reconsidering the need for hold periods could reduce the role of prospectuses in some parts of the market. If securities issued through a private placement could become freely tradeable without a hold period, the relative advantages of a private placement would increase and issuers could have less incentive to use a prospectus-based offering. Over time, this could have implications for the role of the prospectus and for the due diligence process that accompanies a public offering, including the work undertaken by underwriters and experts.

However, this concern may not apply equally across all markets. For example, in the Canadian investment grade debt market, a change to the hold period for reporting issuers would be less likely to affect the use of prospectus-based offerings. Buyers of investment grade debt are predominantly institutional investors and as a result, issuers can generally achieve similar execution through a non-prospectus offering. Where an issuer has historically used a prospectus for its debt offerings, it may continue to do so regardless of any change to the four-month hold period. In addition, the due diligence undertaken for investment grade debt offerings is often driven by underwriter requirements and market practice rather than solely by the regulatory requirements associated with a prospectus. As a result, the level of due diligence may be broadly similar whether the offering is conducted on a prospectus or private-placement basis.

The considerations are different in the broader equity market. Reporting issuers are already subject to significant continuous disclosure obligations, including requirements to provide full, true and plain disclosure of material facts. However, the prospectus process adds another layer of investor protection through the formal disclosure document, the associated due diligence process and the involvement of underwriters and experts. That process provides an important discipline around the information that is presented to investors at the time securities are offered and contributes to the quality and reliability of the information available to the market. For this reason, we would be cautious about eliminating the hold period altogether. Doing so could make private placements sufficiently attractive that they begin to displace prospectus offerings in circumstances where the additional protections associated with a prospectus remain important. It could also reduce the practical distinction between a private financing and a public offering, without necessarily preserving the same level of scrutiny that currently accompanies a prospectus offering.

C6. There are differences between the primary market civil liability regime applicable to misrepresentations in a prospectus and the secondary market civil liability regime applicable to misrepresentations in certain continuous disclosure documents. For example, the secondary market civil liability regime does not generally extend liability to underwriters and the limits on liability are lower. In addition, the secondary market civil liability regime generally includes seeking permission from the Court before an investor can bring a claim. Could these differences impact whether reporting issuers take adequate care to ensure that their disclosure is fair, balanced and not misleading? Why or why not?

We do not believe changes to the civil liability regime are necessary to ensure that reporting issuers take adequate care with their disclosure. From an issuer's perspective, the expectation is the same whether disclosure is being provided in connection with a primary market offering or through continuous disclosure in the secondary market: material information should be presented fairly, accurately and in a way that is not misleading. In our view, the differences in the applicable civil liability regimes would not change an issuer's approach to meeting that standard.

There are also a number of practical and regulatory considerations that reinforce this approach. Issuers and their advisers already undertake significant review of public disclosure, and the prospectus process involves additional due diligence where applicable. These processes, together with the issuer's ongoing disclosure obligations and the reputational and commercial consequences of inaccurate or incomplete disclosure, provide important incentives to maintain a high standard of disclosure regardless of the particular liability regime that applies. We therefore do not see a need to change the secondary market civil liability regime, including by extending primary market liability to underwriters or otherwise increasing liability exposure, simply on the basis that doing so may encourage greater care in disclosure.

More generally, we would caution against using changes to disclosure and liability requirements as a primary means of addressing the challenges facing small- and mid-cap issuers. From the perspective of issuers and dealers, there are already a number of reasonably efficient and cost-effective avenues for accessing capital, including private placements, prospectus offerings and

the Listed Issuer Financing Exemption (LIFE). The challenge may not be a lack of regulatory options or an overly burdensome regulatory framework, but rather the depth and composition of the investor base for small-cap and mid-cap companies. Changes in the structure of the market, including the growth of passive investing and consolidation in the mutual fund industry, have affected the pool of investors actively participating in these companies. These are broader structural issues that are unlikely to be resolved through changes to the civil liability or disclosure framework alone. In our view, regulatory changes should be targeted at identifiable regulatory impediments rather than assuming that a broad relaxation or expansion of liability rules will, on its own, materially improve the ability of small-cap and mid-cap issuers to access capital.

C7. Would an exemption such as the QIP exemption benefit capital raising in Canada? Please explain.

While some members acknowledged that a QIP exemption could expand the pool of capital available to issuers by increasing institutional participation, more members expressed concern that a framework designed primarily for institutional investors could disadvantage retail investors by creating a separate capital-raising pathway that provides access to investment opportunities on terms not available to the broader public. Members emphasized that improving access to capital should not come at the expense of retail investor participation or the protections afforded through public offerings.

C8. Would you agree with a definition of “Qualified Institutional Purchaser” that aligns with the following?

"Institutional Permitted Client" means a "permitted client" as defined in section 1.1 of NI 31-103, except for: (a) an individual, (b) a person or company acting on behalf of a managed account of an individual, (c) a person or company referred to in paragraph (p) of that definition unless that person or company qualifies as a permitted client under another paragraph of that definition, or (d) a person or company referred to in paragraph (q) of that definition unless that person or company has net assets of at least $100 million as shown on its most recently prepared financial statements or qualifies as a permitted client under another paragraph of that definition;

Some members questioned the proposed definition of “Qualified Institutional Purchaser”, particularly exception (b), which excludes certain managed accounts of individuals. In a fully managed account, investment decisions are made by a licensed advisor exercising discretionary authority on behalf of the client, making such accounts, in their view, comparable to institutional accounts managed by professional investment managers.

These members considered that the underlying client's status as an individual should not, in itself, preclude the account from qualifying for the QIP exemption and that securities acquired through a fully managed account should therefore qualify for the exemption without being subject to resale restrictions.

C9. We are proposing to limit the proposed QIP exemption to investments by institutional investors because we have heard that institutional investors may be subject to restrictions in the types of investments they may hold under their governing legislation and, as a consequence, may be forced to enter into “swap” transactions to allow them to be able to purchase securities that are not subject to resale restrictions. Are there other types of investors that may be subject to similar restrictions? Would this exemption create an unlevel playing field as between Qualified Institutional Purchasers and other types of investors?

The proposed QIP exemption appears to be premised on removing the hold period for qualifying institutional investors. As noted above, we have concerns with that approach and believe the existing hold period strikes an appropriate balance between facilitating access to capital and

protecting investors. Therefore, we think it is important to consider the broader implications of creating an exemption that is available only to a particular class of investors.

If the CSA proceeds with a QIP exemption, we see two issues that warrant consideration. First, the exemption could create an uneven playing field between Canada and the United States if securities could be privately placed and become freely tradeable in Canada without a hold period, while a comparable transaction in the U.S. would require a prospectus offering or be subject to resale restrictions. This difference could have practical implications for cross-border financings and the way offerings are structured.

Second, consideration should be given to safeguards against immediate resale or "flipping" of securities acquired under the exemption. If the policy rationale for the exemption is to address investment restrictions faced by certain institutional investors, it would be important to ensure that the exemption does not become a broader mechanism for securities to move immediately from the private market into unrestricted public trading. Appropriate restrictions could help preserve the intended closed nature of the QIP regime while reducing the potential for the exemption to become a substitute for a prospectus offering.

More generally, if the exemption is intended to address restrictions faced by particular institutional investors, the CSA should consider whether other categories of sophisticated investors face comparable constraints and, if so, whether limiting the exemption to QIPs would create an unintended distinction between investors that are similarly situated from a regulatory or investment perspective.

C10. Do you agree with the conditions for determining whether an issuer should be considered a qualified issuer (being essentially similar conditions to those required to file a short form prospectus under NI 44-101 or to use LIFE)?

We agree with the proposed conditions for determining whether an issuer is a qualified issuer, which are generally consistent with the conditions that apply to issuers eligible to use the short form prospectus regime under NI 44-101 or the Listed Issuer Financing Exemption (LIFE).

However, we would suggest some refinement to the condition that the reporting issuer must not be in default of securities legislation requirements. Similar concerns can arise here to those considered in the context of the WKSI eligibility conditions. The condition should be sufficiently targeted so that a minor or technical securities law violation does not, by itself, prevent an issuer from qualifying.

This is particularly relevant for larger financial institutions that may have multiple subsidiaries that are securities registrants and actively carry on securities-related businesses. A compliance matter involving a subsidiary could technically result in the issuer being considered in default even where the matter is unrelated to the issuer's own disclosure record or its ability to meet the requirements of the proposed exemption. Therefore, we suggest that the condition include an appropriate materiality qualifier or otherwise focus on defaults that are attributable to, or materially relevant to, the reporting issuer itself.

C11. Should a reporting issuer relying on the QIP exemption be expected to confirm that there is no undisclosed material information such that there is no risk of information asymmetry as between the initial investor and a purchaser on resale from the Qualified Institutional Purchaser?

We do not think this requirement would be feasible in practice. An issuer would not necessarily have visibility into whether or when a QIP intends to resell the securities, particularly where the resale occurs in the secondary market without the issuer's involvement. The issuer would also have no direct relationship with, or line of sight into the circumstances of, the subsequent

purchaser. It is therefore unclear how the issuer could provide a meaningful confirmation that there is no information asymmetry at the time of resale.

There is also a timing issue. The issuer could be asked to provide the confirmation at a point when it is not in a position to do so, including during a quiet period or when the issuer is otherwise restricted from making or updating public disclosure. Because the issuer has no control over when the QIP chooses to resell, the requirement could create situations where the securities are otherwise eligible for resale but the issuer cannot provide the requested confirmation.

C12. Should there be restrictions on use of the exemption, for example, where the investor has entered into a short sale agreement or similar agreement involving shares of the same class as the shares being purchased?

We would be cautious about imposing a broad restriction simply because an investor has entered into a short sale or similar agreement involving securities of the same class. There may be legitimate transaction structures in which such an arrangement is appropriate and does not raise the policy concerns that a restriction is intended to address.

In particular, we understand from the decision in **Cormark Securities Inc. (Re)**, 2024 ONCMT 26 that a triangular transaction of this nature can be legally permissible, and we would support preserving the ability to use such a structure where appropriate. Any restriction on the QIP exemption should therefore be sufficiently targeted to address transactions that are intended to circumvent the purpose of the exemption, rather than capturing legitimate hedging, financing or other transaction structures.

C13. Do you agree with the proposed condition that distributions must be made through a registered dealer? Why or why not? Is there an alternative approach to requiring the involvement of a registered dealer? For instance, should we require that the institutional investor provide a certificate to the issuer certifying that the investor is purchasing as principal without a view to distribution?

We agree that distributions under the exemption should involve a registered dealer. Given the reduced disclosure and other protections inherent in a private placement, we think the involvement of a registered dealer is an appropriate condition for access to the exemption. We would not support extending this market to unregistered individuals or entities simply to accommodate transactions that do not involve a registered dealer.

While we recognize that requiring a registered dealer could affect transactions where an issuer and institutional investor would otherwise prefer to transact directly, the private placement regime involves fewer disclosure and investor protections than a prospectus offering. The involvement of a registered dealer therefore provides an important additional layer of diligence and oversight. We would be reluctant to replace the registered dealer requirement with an investor certificate confirming that the institutional investor is purchasing as principal and without a view to distribution. While such a certificate could provide useful evidence of the investor's intention, it would not provide the same level of independent diligence or oversight as the involvement of a registered dealer. In particular, an investor certification would place greater reliance on the investor's own representations without providing the broader transaction-level diligence that a registered dealer brings to the process.

C14. We have suggested that a RED would be required in connection with distributions under the QIP exemption. Do you agree with this requirement? Why or why not? Are there alternative forms of reporting that we should consider given that the exemption would be limited to sophisticated institutional investors?

No comment.

C15. Are there other factors or considerations we should consider?

A broader consideration is the potential cumulative effect of the proposed changes on the role of the prospectus regime in the Canadian equity markets. Prospectus offerings remain an important part of the capital-raising framework and, in our view, should continue to be the primary mechanism for the majority of equity offerings. The prospectus process provides a level of disclosure, due diligence and accountability that is difficult to replicate through private placements, and these protections contribute to investor confidence and the overall integrity of the public markets.

If the proposed changes were adopted in their broadest form, there is a risk that private placements could become a more attractive alternative to prospectus offerings for a wider range of issuers. The concern is not simply the number of prospectus offerings that might decline, but the potential longer-term effect on the role of the prospectus framework and the standards of disclosure and due diligence that accompany it. A shift of a meaningful portion of equity financings away from the prospectus regime could reduce the practical importance of those protections, particularly where privately placed securities ultimately enter the public market.

Question D

D1. Does the filing of a material change report provide useful and timely information to the market beyond what is typically disclosed in the news release?

A material change report typically formalizes the disclosure and provides a regulatory record, rather than providing the market with significant additional or materially different information from what has already been disclosed in the related news release.

D2. Is there a more effective alternative to the current material change reporting framework for disclosing the occurrence of a material change to the market? If so, please describe it.

No. We do not see a more effective alternative to the current material change reporting framework.

D3. We continue to think it is important that material changes be immediately disclosed. However, should we consider allowing a reporting issuer to satisfy the material change report requirement by filing a news release on SEDAR+ in the category for a material change report if the news release contains all information otherwise required in Form 51-102F3?

We support this proposal. Requiring a separate material change report in such circumstances would duplicate information already available to the market without providing a meaningful additional disclosure benefit.

D4. If we were to remove the requirement to file a material change report but instead require that the news release disclosing the material change be a designated news release containing the same information currently required in a material change report,

a. would this meaningfully reduce burden?

   Yes. This would meaningfully reduce burden by eliminating the need and cost of preparing and filing a separate material change report containing substantially the same information as the news release.

b. would this create challenges for investors and regulators in readily identifying which news constituted a material change?

If SEDAR+ provides a clear and readily identifiable category for designated news releases that satisfy the material change reporting requirements, we do not expect this approach to make it more difficult for investors or regulators to identify material change disclosures. However, in doing so, the CSA should also consider whether these designated news releases would need to be filed or categorized separately as news releases. The filing requirements should avoid creating a new form of duplicative filing.

c. are there any consequences we should consider?

Please see response to b. above.

D5. Should we consider designating certain events and changes as material changes for greater certainty, in addition to (and not in place of) the current principles-based definition? If so, what events and changes should automatically be material changes?

We recommend retaining the current principles-based definition of a material change. Materiality is inherently issuer-specific and depends on the particular circumstances and context of the issuer and the information involved.

D6. Should we consider providing updated guidance (for example, through updates to National Policy 51-201 Disclosure Standards) to identify examples of events typically considered to be material changes?

We support updating the guidance to provide examples of events that may constitute material changes. The guidance should make clear that the examples are illustrative rather than prescriptive and are not intended to be an exhaustive list, so that issuers can continue to assess materiality based on the specific facts and circumstances.

D7. Do you have any other concerns or suggestions regarding the existing requirements to disclose material changes?

No comment.

Question E

E1. Would expanding our current semi-annual reporting framework to all issuers on a voluntary basis be beneficial for Canadian capital markets? Why or why not?

We would not oppose expanding the semi-annual reporting framework to all issuers on a voluntary basis, recognizing that issuers operate under different regulatory requirements and investor expectations. However, we would expect that larger and more established Canadian companies would generally continue to report quarterly. For example, banks are subject to additional disclosure requirements, including Pillar 3 reporting, and investor expectations would make a move to semi-annual reporting difficult in practice. Quarterly reporting also provides more timely visibility into emerging risks, helps limit the length of insider trading windows and can reduce the potential for significant earnings surprises. These factors can ultimately support investor confidence and access to capital.

The same considerations may apply in the debt markets. Some issuers are subject to quarterly reporting covenants under their debt indentures and would therefore continue to report quarterly regardless of the regulatory framework. For smaller or lower-credit-quality debt issuers, less frequent reporting may also not be appropriate where investors require more regular information to assess credit risk.

E2. If we expanded our current semi-annual reporting framework to all issuers on a voluntary basis:

a. what would be the potential impacts – both positive and negative – on investor protection, market transparency, cost of compliance and market competitiveness?

A voluntary semi-annual reporting framework could reduce compliance costs for some issuers, particularly smaller issuers for which the preparation of quarterly financial reporting represents a meaningful cost. It could also provide greater flexibility for issuers to determine a reporting frequency that reflects their circumstances and investor base.

For larger reporting issuers, we would expect these potential efficiencies to be more limited. In particular, for banks, existing regulatory requirements, including Pillar 3 reporting, together with investor expectations, mean that many of the processes associated with quarterly reporting would continue even if semi-annual reporting were permitted.

However, there are potential trade-offs for investor protection and market transparency. Allowing issuers to report on different cycles could make it more difficult for investors to compare issuers and assess their relative performance, particularly where less frequent reporting means that information is not available on the same basis or at the same time. More generally, less frequent reporting could reduce the timeliness of information available to investors between reporting periods.

b. should any criteria or restrictions apply for issuers that choose to use semi-annual reporting when filing a prospectus? Why or why not?

While semi-annual reporting may not be appropriate for all issuers, particularly where investor expectations and other regulatory requirements support quarterly reporting, we believe the decision to report semi-annually should be based on the issuer's circumstances and investor base rather than subject to additional eligibility requirements.

c. should we consider requiring additional or alternative disclosure or otherwise revise our material change and timely disclosure requirements for issuers that choose to use semi-annual reporting? Why or why not?

We do not believe additional or alternative disclosure requirements should apply solely because an issuer has elected to report semi-annually. In practice, an issuer that reports semi-annually may still choose to provide quarterly updates or other interim information where it considers that appropriate for its investors or the nature of its business. This flexibility would allow issuers to respond to their particular circumstances without creating an additional disclosure regime for issuers that elect the semi-annual option.

E3. Are there any aspects from the statements or proposals made by the SEC that would be beneficial for Canadian capital markets? Please explain and comment on any expected impacts of those proposed amendments on investor protection or any potential competitive disadvantages that could arise if similar approaches are not adopted in Canada.

We are supportive of the direction outlined in Chairman Atkins' January 13, 2026 statement regarding the Commission's review of Regulation S-K, particularly the objective of focusing disclosure requirements on material information and avoiding requirements that result in the disclosure of information that is not material to investors. Our preliminary view is that the broader set of U.S. proposals referenced by the CSA in this section may have a more meaningful impact on smaller issuers. We would therefore encourage the CSA to consider the competitive implications for Canadian issuers, particularly where differences in disclosure requirements could increase the relative cost or complexity of accessing Canadian capital markets. At the same time,

any changes should remain focused on eliminating unnecessary or immaterial disclosure rather than reducing disclosure of information that is relevant to investors.

Question F

F1. Which of the proposed changes would have a positive impact on Canadian competitiveness? Would any of the proposed changes have a negative impact on competitiveness or investor protection? Please provide details.

No comment.

F2. Beyond the matters addressed in Sections A to E, what other changes or initiatives do you think could improve opportunities for capital raising or reduce regulatory burden?

We would encourage the CSA to consider a number of targeted changes to make the Canadian capital-raising framework more efficient, predictable and competitive. These changes would not require a reduction in the substantive disclosure or investor protection standards applicable to public offerings.

1. Make the prospectus process more efficient

We recommend reviewing the prospectus marketing rules to reduce unnecessary procedural constraints on issuers and dealers. Making the prospectus regime more practical and predictable could encourage issuers to use prospectus offerings rather than relying on private placements, while preserving the enhanced disclosure, due diligence and liability protections associated with the prospectus framework.

The receipt process could also be brought more closely in line with the U.S. approach, where registration statements become part of the public record upon filing. A similar deemed-receipt or filing approach in Canada, either for all prospectus offerings or initially for a defined subset, could provide market participants with earlier access to offering documents and reduce administrative delays.

Member views differed on the appropriate approach to testing-the-waters (TTW). Some members supported retaining the current Canadian approach for initial public offerings (IPOs), under which the 15-day period between the last TTW meeting and the first public filing occurs while the filing remains confidential with the regulator. This allows issuers to continue assessing market conditions and investor interest, and to withdraw the offering if necessary, before making it public. These members expressed concern that adopting the U.S. approach, which requires an initial public filing followed by a waiting period before filing a prospectus containing the pricing range and launching the offering, could expose issuers to market risk for an extended period after public disclosure and put them at a competitive disadvantage.

Other members supported expanding the ability to conduct TTW for follow-on offerings, including short-form prospectus offerings. Permitting issuers to gauge investor interest before launching an offering, subject to appropriate confidentiality and wall-crossing procedures, could improve the efficiency and predictability of the offering process while maintaining appropriate investor protections.

One member proposed a more flexible approach that would allow issuers to choose between the current Canadian process and a U.S.-aligned alternative. Under the alternative, an issuer could file publicly immediately following TTW meetings but would be required to wait at least 15 days before filing an amended and restated prospectus containing the pricing range and launching the IPO. This approach would preserve a 15-day cooling-off period before launch while giving issuers greater flexibility to select the process best suited to their circumstances, including in cross-

border offerings where issuers may otherwise need to navigate both Canadian and U.S. requirements.

2. Improve predictability and eliminate unnecessary duplication

The framework for shelf eligibility would also benefit from greater predictability and consistency. Issuers can face uncertainty in satisfying the criteria applicable to WKSI and non-WKSI shelf eligibility, particularly where regulatory expectations or interpretations differ between jurisdictions or reviews. The framework would benefit from more objective, transparent and consistently applied criteria. A more standardized approach would reduce uncertainty and unnecessary delay while maintaining the underlying investor protection objectives of the shelf regime.

There are also opportunities to reduce duplicative disclosure where the same information is already provided in financial statements. We recommend amending NI 51-102 and other relevant requirements to permit issuers to cross-reference information already disclosed in their financial statements rather than repeating it in the MD&A. Outstanding share data, related-party transactions, off-balance sheet arrangements, critical accounting estimates and changes in accounting policies are examples of areas that could be reviewed for this purpose. This would reduce compliance costs without reducing the information available to investors.

3. Modernize rules for established capital-markets transactions

We also recommend considering targeted exemptions from the current prohibition on physical settlement of derivatives referencing an issuer's shares. In particular, consideration should be given to permitting physical settlement in connection with accelerated share repurchases, call spreads relating to convertible securities, and forward agreements used in ATM programs. These are established transaction structures in the U.S. market, and a targeted Canadian carve-out could facilitate transactions that are regularly used in other markets without compromising applicable market integrity requirements.

F3. Are there changes to our regime that could enhance investor protection or provide enhanced disclosure to investors, particularly for retail investors?

No comment.

F4. Are there any aspects from other recent international regulatory developments that could inform our regulatory proposals?

No comment.

Conclusion

The Canadian capital markets would benefit from a regulatory framework that is more efficient and predictable while continuing to provide investors with the information and protections necessary to participate confidently in those markets. Many of the changes discussed in this submission are intended to achieve that balance rather than simply reduce regulatory requirements.

We see meaningful opportunities to make the prospectus regime easier to use, eliminate duplicative disclosure, improve the predictability of shelf and other capital-raising processes, and modernize rules that can create unnecessary impediments to established market practices. Greater alignment with other major markets, where appropriate, could also help Canadian issuers and investors compete on a more level playing field.

At the same time, we would caution against changes that could unintentionally shift a significant portion of equity financing away from the prospectus framework or weaken the disclosure and due diligence standards that support investor confidence. The objective should be to make the Canadian market work better, not simply to make regulation lighter. Targeted, principles-based reforms that address identifiable impediments while preserving the core investor protection framework would, in our view, provide a more sustainable basis for improving access to capital and the competitiveness of Canadian capital markets.

Please feel free to contact me by email at amitchell@sima-amvi.ca. I would be pleased to provide further information or answer questions you may have, and welcome further engagement with the CSA as it considers the Proposed Amendments and the development of any related guidance.

* * * * *

Yours sincerely,

THE SECURITIES AND INVESTMENT MANAGEMENT ASSOCIATION

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