

Securities Regulators Ease Venture Issuers' Continuous Disclosure Obligations



Bulletin

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Effective June 30, 2015, the Canadian Securities Administrators are adopting regulatory amendments that reduce the continuous disclosure burden of venture issuers.

Key changes to National Instrument 51-102 *Continuous Disclosure Obligations*, National Instrument 41-101 *General Prospectus Requirements* and National Instrument 52-110 *Audit Committees* include the following:

Quarterly Highlights

For financial years beginning on or after July 1, 2015, venture issuers will have the option to provide a shorter “quarterly highlights” report instead of preparing a full interim MD&A. The quarterly highlights will consist of

- (a) all material information about a venture issuer’s operations, liquidity and capital resources;
- (b) an analysis of financial condition and performance, trends, major milestones and expected or unexpected events, commitments or uncertainties;
- (c) a discussion of any significant changes from prior disclosure about the use of proceeds from any financing; and
- (d) a discussion of any significant transactions between related parties.

Significance Threshold Increased

When a venture issuer enters into a significant acquisition, it is required to file a business acquisition report (BAR). Before the amendments, an acquisition was considered to be significant if either the asset test or investment test exceeded the 40% level. The principal changes are as follows:

- The threshold for significance will be increased from 40% to 100% for venture issuers, thereby reducing the number of circumstances in which a venture issuer will be required to file a BAR.
- The requirement to include pro forma financial statements will be eliminated.

Scaled-Down Executive Compensation Disclosure

For financial years beginning on or after July 1, 2015, venture issuers will have the option to complete a scaled-down form of executive compensation disclosure, using Form 51-102F6V *Statement of Executive Compensation – Venture Issuers*. The principal changes in the new form include the following:

- (a) the provision of executive compensation information for a maximum of three (as opposed to five) named executive officers (the Chief Executive Officer, the Chief Financial Officer and the other most highly compensated individual whose compensation exceeds \$150,000);
- (b) the provision of executive compensation information and for the two (as opposed to three) most recently completed financial years; and
- (c) staggered threshold for disclosure of perks.

The deadline for venture issuers to file executive compensation disclosure will be extended to 180 days (as opposed to 140 days for non-venture issuers). The amendments will, however, introduce enhanced disclosure regarding stock options and other compensation securities.

Audit Committees

For financial years beginning on or after July 1, 2016, the audit committee for a venture issuer will need to be composed of at least three members, a majority of whom will need to be independent (i.e., individuals who are not executive officers, employees or control persons of the issuer). This change will bring the audit committee requirement in line with the TSXV's equivalent requirement, so it will have no effect on TSXV-listed issuers. A number of exemptions have been introduced that allow, in certain circumstances (e.g., a vacancy created by death, incapacity or resignation), an executive officer or control person to serve on the audit committee until the later of the next annual meeting or six months after the date on which the circumstance arose.

Less Financial Disclosure in IPO Prospectus

Venture issuers doing an initial public offering (IPO) will only need to include two years of historical audited financial statements (as opposed to three years for non-venture issuers). The required description of the business and operating history has also been reduced to capture only the last two completed financial years.

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