

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

Introduction

Members of the Canadian Securities Administrators (CSA), other than the Ontario Securities Commission (OSC), are implementing the 'principal regulator system' effective September 19, 2005. All CSA members, including the OSC, are implementing some related rule and policy changes on the same date.

Multilateral Instrument 11-101 *Principal Regulator System* (MI 11-101), Companion Policy 11-101CP *Principal Regulator System* (the CP) and Form 11-101F1 *Notice of Principal Regulator* (the Form) are initiatives of the CSA, other than the OSC. MI 11-101 and the Form are together referred to as the Instrument.

Consequential amendments to the following policies and instruments (together, the consequential amendments) are initiatives of the CSA, including the OSC:

- National Policy 12-201 *Mutual Reliance Review System for Exemptive Relief Applications* (the 12-201 amendments),
- National Policy 43-201 *Mutual Reliance Review System for Prospectuses* (the 43-201 amendments),
- National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* (the 51-101 amendments), and
- Multilateral Instrument 81-104 *Commodity Pools* (the 81-104 amendment).

The Instrument has been or will be made by each member of the CSA, other than the OSC, and implemented as a:

- rule in each of British Columbia, Alberta, Manitoba, Nova Scotia, New Brunswick, Newfoundland and Labrador and Prince Edward Island;
- regulation in Québec and Saskatchewan; and
- government regulation in Northwest Territories, Nunavut and Yukon.

Each jurisdiction, other than Ontario, has also adopted or will adopt the CP as a policy.

Each member of CSA

- has made or will make the 51-101 amendments and the 81-104 amendment, and
- has adopted or will adopt the 43-201 amendments and the 12-201 amendments.

The 43-201 amendments streamline the process for reviewing annual information forms. They do not distinguish between the review process for initial and renewal annual information forms because the CSA expects to eliminate this distinction in the restatement of National Instrument 44-101 *Short Form Prospectus Distributions* (NI 44-101) later this year. Until that happens, we will continue to review initial and renewal annual information forms as we did prior to the 43-201 amendments.

CSA is publishing concurrently a separate CSA notice explaining the impact of the Instrument on National Policy 12-201 *Mutual Reliance Review Systems for Exemptive Relief Applications* (NP 12-201). See below for a discussion of the 12-201 amendments.

Some jurisdictions will also publish a local notice about consequential amendments to local instruments.

In Québec, mutual fund dealers (group savings plan brokerage firms) and their representatives are regulated by the *Act respecting the distribution of financial products and services*. Subject to government approval, the Autorité des marchés financiers (AMF) will adopt regulatory provisions under that Act to permit the application of the Instrument to mutual fund dealers and their representatives. However, since these regulatory provisions will most likely not be implemented until later this year, the AMF intends, in the meantime, to issue a blanket exemption order including the conditions to the exemptions in Part 5 of the Instrument. Furthermore, in Québec, the Instrument includes a reference provision (section 1.3) that directs the reader to an additional appendix (Appendix E). This appendix sets out the complete references of all regulatory and other relevant texts mentioned in the Instrument.

The Instrument, CP and consequential amendments will come into effect on September 19, 2005.

Substance and Purpose

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

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

Background

We published the Instrument, CP and consequential amendments, except the 12-201 amendments, on May 27, 2005. They fulfil the commitment of the Ministers responsible for securities regulation in most Canadian provinces and territories to implement a passport system in certain areas of securities regulation.

We also published an amendment to National Policy 31-201 *National Registration System* (NP 31-201) to shorten the decision-making process. The amendment would reduce the opt-in period in NP 31-201 from five business days to two business days. NP 31-201 has been in effect only since April 4 of this year. We have decided not to make the proposed amendment at this time because we need more experience with the system to determine whether it is practical to reduce the opt-in period. CSA will monitor the operation of the system and reconsider the proposed amendment on the first anniversary of NP 31-201.

Summary of Written Comments Received by CSA

During the comment period, CSA received submissions from nine commenters, including two received by the OSC. The comment letters are posted on the Alberta Securities Commission website at www.albertasecurities.com. We have considered the comments and thank all the commenters. The names of the commenters and a summary of their comments, together with the CSA responses, are contained in Appendix A to this notice.

Summary of Changes to the Instrument/CP

After considering the comments and further analyzing the Instrument, we made amendments to the Instrument. However, as these changes are not material, we are not republishing the Instrument for a further comment period. We also made changes to the CP and the 43-201 amendments. Finally, we made the 12-201 amendments.

The noteworthy changes made to the Instrument and CP are:

MI 11-101

- We included in the definition of ‘CD requirement’ the local continuous disclosure requirements identified in Appendix A to the Instrument (except for the obligation to pay fees for filings). This ensures the exemption from CD requirements is as useful as possible for issuers.
- We included in the definition of ‘national prospectus rules’ the local prospectus disclosure requirements identified in Appendix D to the Instrument. This ensures the national prospectus rules exemption is as useful as possible for issuers.
- We excluded from the definition of ‘national prospectus rules’ the certificate form requirements in certain national instruments in Québec because they form the basis for statutory rights in that province.
- We added a provision clarifying that Québec language requirements continue to apply.
- We specified that the Form must be filed by issuers in electronic format.
- We tied the exemption from local continuous disclosure requirements for an investment fund to the fund being subject to the requirements in National Instrument 81-106 *Investment Funds Continuous Disclosure* (NI 81-106). This was necessary because the

requirements in NI 81-106 are not fully implemented and existing local requirements are not sufficiently harmonized.

- We added 'if any' to the CD requirements exemption to clarify that the exemption is available for a requirement in a non-principal jurisdiction even if that requirement does not exist in the principal jurisdiction.
- We added a definition of 'trade' to Part 5 for Québec.
- We added an effective date.

CP

- We amended the CP to clarify the effect of some of the changes described above - for example, we explained that our intention in adding local continuous disclosure requirements to the definition of "CD requirement" was that the local CD requirements in non-principal jurisdictions would not apply to an issuer that relies on the exemption.
- We explained the impact of a change of principal regulator if an issuer has obtained continuous disclosure relief from its initial principal regulator.
- We expanded the discussion of the local and national prospectus requirements that continue to apply under the prospectus exemptions.
- We added a discussion of the fact that, in Québec, some policies are actually regulations and are exempted under the Instrument.

The 43-201 amendments

In addition to the changes we published for comment, the 43-201 amendments include amendments to the pre-filing procedures. We made these amendments even though we did not publish them for comment because they relate to internal CSA processes. The amendments shorten the timelines for the review of pre-filings and waiver applications and impose a time limit for the review of these applications by the principal regulator. We made these changes to encourage issuers to use the pre-filing and waiver application process when filing prospectuses that raise novel and substantive issues or raise a novel public policy concern.

The 12-201 amendments

The CSA made the 12-201 amendments even though we did not publish them for comment because they are housekeeping amendments that are part of the principal regulator system. The 12-201 amendments include

- appending a template decision document for filers to use when they require a decision from their principal regulator under the Instrument, and
- changing the list of jurisdictions willing to act as principal regulator to remove Newfoundland and Labrador, which has indicated it no longer wishes to act as such, and adding New Brunswick.

Questions

Please refer your questions to any of:

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The text of the Instrument, CP and consequential amendments follows, except in British Columbia.

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