

**CANADIAN SECURITIES ADMINISTRATORS  
STAFF NOTICE – 55-308  
QUESTIONS ON INSIDER REPORTING**

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## INTRODUCTION

This notice contains questions and answers regarding insider reporting (QAs). The QAs will assist filers to better understand the insider trade reporting requirements under the provincial securities laws across Canada. The QAs will also help insiders meet their filing obligations.

The Canadian Securities Administrators (CSA) hope you find the QAs helpful. However, they represent a guide for general use. In any individual cases of doubt, the user should obtain legal advice as to their status under the securities laws.

The QAs cover questions on insider reporting in general and how to report your insider trades on the insider report paper form. The CSA intends to publish additional questions and answers regarding electronic insider reporting and the System for Electronic Disclosure by Insiders (SEDI) at a later date.

Please see Appendix A for information on how to contact the various Securities Commissions regarding insider reporting. Appendix A also includes the website addresses for the Securities Commissions where you can find information on insider reporting.

## SOME DEFINED TERMS

To help you understand some of the frequently used defined terms referred to in the QAs, here is a list of these terms, along with their meanings.

“**CDS**” means CDS INC., the company developing and operating SEDI under contract from the CSA

“**CSA**” means the Canadian Securities Administrators

“**NI 55-101**” means National Instrument 55-101 *Exemption from Insider Reporting Requirements*, dated May 11, 2001

“**NI 55-102**” means National Instrument 55-102 *System for Electronic Disclosure by Insiders (SEDI)*, dated October 19, 2001

“**reporting issuer**” means, generally, a company or other entity that has certain public reporting and other obligations under securities laws because its securities are publicly traded in the relevant province or territory (please see the definition of ‘reporting issuer’ under securities laws)

“**SEC**” means the United States Securities and Exchange Commission

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval

“**SEDI**” means the System for Electronic Disclosure by Insiders

## **QUESTIONS ON INSIDER REPORTING**

### **1. GENERAL**

#### **1.1 Why are insiders required to file insider trading reports?**

Generally, provincial securities legislation requires any insider (generally, a director, senior officer or a significant security holder) of a public company or similar entity (reporting issuer) to file reports disclosing the insider's direct or indirect beneficial ownership of, or control or direction over, securities of that company, and any changes in that ownership. Please see questions 1.9 and 2.1 below. You do not need to file insider reports in New Brunswick, the Northwest Territories, Nunavut, Prince Edward Island or the Yukon because these provinces and territories do not have insider reporting requirements.

#### **1.2 Where can I find the legal requirements for insider reporting?**

You can find the legal requirements for insider reporting in the various provincial securities law statutes and their related regulations, rules and policies. See Appendix A for a list of the Securities Commissions with their contact information and website addresses. See Appendix B for a list of where you can find the legal requirements in the legislation of the relevant province.

#### **1.3 Where can I get information about insider reporting?**

You can contact the relevant Securities Commission. You can also look on the Commissions' websites for information on insider reporting (see Appendix A for their contact information, including their website addresses).

#### **1.4 Will all the information I disclose on my insider report form be publicly available?**

Yes. Insider reports filed with the Securities Commissions are required to be made publicly available. In certain jurisdictions, the insider's residential address given on the form is kept confidential. In other jurisdictions, the Securities Commissions have not determined that insider reports filed (or any part of them) in paper format are to be kept confidential.

#### **1.5 Do I have to pay to file my insider report?**

No.

#### **1.6 Do I obtain confirmation from any of the Securities Commission(s) that a Commission has received my insider report?**

No. However, if you completed the insider report form incorrectly, staff of a Securities Commission may notify you and ask you to file it correctly. Please note that if you are filing an insider report, you must file the report in all the jurisdictions where you had filed the returned report.

Even if a Securities Commission does not contact you about your report, you cannot assume that you have filed your report correctly. The responsibility for filing timely, complete and accurate insider reports is the responsibility of the insider.

### **1.7 Can someone else file my insider report for me?**

Yes, you can have an agent sign and file the report for you. If you are an individual insider filing in paper format and the report is signed on your behalf by an agent, your agent needs to file a completed power of attorney with the insider report with the Securities Commission of each province in which you are required to report.

### **1.8 Where must I file my insider report?**

You need to file your insider report with the Securities Commissions in the provinces with insider reporting requirements (see Appendix A), where the company of which you are an insider is a reporting issuer (or equivalent). See question 1.9. You can also find the addresses of the Securities Commissions with insider reporting requirements on the back of the insider report form – Form 55-102 F6. Do not send the form to the attention of the person responsible for the collection and use of personal information listed also on the form. These contacts are only to be used for questions regarding the collection and use of personal information.

### **1.9 How do I know where I have to file the report?**

You need to file an insider report in all provinces in which the company (or other entity) of which you are an insider is a reporting issuer. You do not need to file an insider report in New Brunswick, the Northwest Territories, Nunavut, Prince Edward Island or the Yukon because there are no insider reporting requirements there.

For those provinces with insider reporting requirements, you can find out if the company is a reporting issuer in a given province by using the SEDAR website, [www.sedar.com](http://www.sedar.com), and searching under “Company Profiles”.

### **1.10 What form do I use to file my insider report?**

You need to use Form 55-102F6. There are instructions included on the back of the form.

### **1.11 Where can I get the insider report form?**

You can obtain a copy of this form from any of the Securities Commissions with insider reporting requirements (see Appendix A for their contact information). You can also download electronic versions of the form in Portable Document Format (.pdf) and/or Microsoft Word template (using MS Word) from the websites of the Securities Commissions in Alberta, British Columbia, Manitoba, Newfoundland, Ontario and Quebec (see Appendix A) and then print the form.

**1.12 Can I use the same form if I have to file my report in more than one province in Canada?**

You can use the same form to file the report with any of the provincial securities regulators across Canada with whom you must file a report.

Please see question 1.17 on how to file your report.

**1.13 Can I use the Canadian insider report form to file a report with the SEC?**

No. If you need to file an insider report form with the SEC, you must use the SEC form.

**1.14 Can I use the insider report form filed with the SEC to file insider reports with the provincial Securities Commissions?**

Generally not. However insiders of certain issuers may be exempt from filing insider reports in Canada if they file insider reports with the SEC. For example, if you are an insider of a “U.S. issuer”, as defined in National Instrument 71-101 *The Multijurisdictional Disclosure System*, that has securities registered under section 12 of the United States Securities Act of 1934, and if you comply with U.S. federal insider reporting laws and file SEC insider reports with the SEC, you do not have to file insider reports in Canada.

In addition, insiders of other foreign issuers that do not file disclosure documents on SEDAR may file copies of their SEC reports instead of the Canadian form (Form 55-102F6), with the provincial Securities Commissions.

**1.15 Where can I get information about my transactions in company plans so that I can accurately report them on the form?**

If you participate in some form of company plan such as a dividend reinvestment plan or automatic share purchase plan, you can obtain this information from the statements you receive from the plan administrator regarding plan transactions.

**1.16 When do I file my insider report?**

You need to file your report within 10 calendar days from the date you became an insider if you hold securities of the reporting issuer and then within 10 calendar days after any trades or other changes in your holdings of the reporting issuer. Certain

exemptions may allow you to report changes in your holdings later, for example, changes resulting from an automatic share purchase plan. See question 4.9.

### **1.17 How can I file my insider report?**

You can file your report with the relevant Securities Commissions by:

- facsimile
- hand delivery or courier, or
- mail

#### **Fax filing**

If you file by facsimile, you need to comply with the provisions of NI 55-102 that cover the filing of insider reports in paper format (Part 3). Fax the report to the facsimile number of the Securities Commission set out on Form 55-102F6. You may also need to comply with any local rules regarding facsimile delivery or filing of insider reports in a relevant province.

#### **Filing by hand or courier**

You (or a courier) can deliver your insider report (one original signed report plus one copy – except in British Columbia, only one signed original) to the offices of the relevant Securities Commissions during normal business hours. Please consult these Commissions for information as to their business hours and the specific floor location for hand deliveries to their offices. Some Commissions have mail slots for after-hours delivery. Reports delivered after normal business hours are considered received on the following business day.

#### **Filing by mail**

If you file by mail, you need to send in one original, signed insider report plus one copy (British Columbia only requires the signed original) to each Securities Commission with whom you are required to report. Remember that the report must be received by the relevant Commissions on or before the due date, so mail your report several days before it is due.

### **1.18 What if I file my report late, it is inaccurate or I do not file it at all?**

You are responsible for filing complete, accurate and timely insider reports. The information provided by insiders is published as received, but see question 1.6 concerning returned reports. Securities Commissions can take certain actions against insiders who do not comply with the law. In certain situations a cease trade order could be issued for failure to comply with insider reporting requirements.

See also questions in Part 4 on how to report transactions.

In British Columbia, if you file your report late, you will pay a fee of \$50 for each report that should have been filed on time.



### **1.19 When should I seek legal advice?**

You, as the insider, are responsible for complying with the insider reporting requirements. If you have a general question about the filing requirements, please consult staff of the relevant Securities Commission (see Appendix A). They cannot, however, provide legal advice or waive any requirements of the law. The consequences of non-compliance can be serious. If you are uncertain about your legal obligations, you should seek advice from legal counsel who practises securities law.

### **1.20 What if my information changes after I have filed the report?**

You can file an amended report. Record the amendment as a nature of transaction code 99, except if you are amending the nature of the transaction itself. If you are amending the actual nature of transaction, use the corrected code and write “Amendment – nature of transaction” on your form. Although code 99 does not appear on the current list of nature of transaction codes in the instructions to the form (on the back of the form), the CSA intend to amend the form.

### **1.21 Do I have to file a report if I am an insider of a:**

- **labour-sponsored venture capital corporation**
- **mutual fund**
- **limited partnership?**

- (1) labour-sponsored venture capital fund corporation (LSVCF)  
Yes, in certain jurisdictions. However, the requirements differ depending on the jurisdiction. In Ontario, you need to file insider reports if you are an insider of an LSVCF and hold securities of that LSVCF.
- (2) mutual fund  
No, you do not have to file insider reports if you are an insider of a mutual fund. In very limited circumstances insiders of mutual funds may have insider reporting requirements as a result of a specific order from a Securities Commission.
- (3) limited partnership  
Yes, in certain jurisdictions, you need to file insider reports if you are an insider of a limited partnership and hold securities of that limited partnership. You do not need to file reports in Quebec.

### **1.22 When do I need to file an insider report for securities I acquired or disposed of under an automatic share purchase plan, such as a dividend reinvestment plan?**

You can report acquisitions under an automatic share purchase plan, such as a dividend reinvestment plan, for the calendar year within 90 calendar days of the end of the calendar year. See NI 55-101. If you disposed of, or transferred any of those securities during the year, report both the acquisition and disposition/transfer of those securities within 10 calendar days of the disposition. See question 4.9.

**1.23 When do I need to report options I acquired under a company stock option plan?**

You need to report the grant of stock options because you have acquired securities of the company. You need to report the grant within 10 calendar days of the date you legally acquire ownership of a specific number of options, i.e., the date indicated as the date of grant or if no date is given, the date you are notified of your specific allotment. If the grant is subject to approval by a stock exchange, then the date of grant can be no earlier than the date exchange approval is granted. The date the board of directors of the issuer merely authorizes the grant of options is not the date from which you calculate your requirement to report your grant.

**1.24 Do I need to file a report for securities I acquired/disposed of because of an issuer event, such as a stock split?**

Yes, you need to file an insider report for securities that were acquired or disposed of as a result of certain issuer events that affect all securities or class of securities of the issuer in the same manner. See question 1.26 for when you need to file these reports.

**1.25 For what issuer events do I need to report changes in my securities holdings?**

You need to report changes in your holdings in securities of a reporting issuer resulting from such events as a stock dividend, stock split, consolidation, amalgamation, reorganization or other similar event that affects all holdings of a class of securities of an issuer in the same manner, on a per share basis.

**1.26 When do I need to file a report for changes in my securities holdings resulting from an issuer event, such as a stock split?**

You only need to report changes resulting from an issuer event at the time you need to file your next insider report. See NI 55-101.

**1.27 Can an officer of the issuer report issuer events that affect my holdings instead of me reporting the change in my holdings resulting from an issuer event?**

No. You, the insider, need to report these changes in your holdings resulting from an issuer event. However, you only need to report these changes the next time you need to file an insider report. See question 1.26.

**1.28 What if I am no longer an insider of a particular company?**

You no longer need to file any insider reports in respect of securities you hold in that company, provided that you have reported all transactions that took place when you were an insider.

**1.29 When am I no longer an insider of a particular company?**

You are no longer an insider, for example, if you leave an organization and do not remain as a person who exercises control over more than 10% of the voting securities of that issuer. In all jurisdictions except Quebec, insiders must file reports if they are one of the five highest paid employees. Therefore, in these jurisdictions, if you do not leave the organization, but are no longer one of the five highest paid employees (and are not otherwise a senior officer because of your title, nor are you a significant security holder or a director), you are no longer an insider of that organization. See question 2.1 for the general definition of insider.

**1.30 Can I file my report electronically?**

No. However, the CSA are continuing to work on implementing a national electronic insider reporting system called the System for Electronic Disclosure by Insiders (SEDI) (see question 1.31).

**1.31 What is SEDI?**

SEDI is the System for Electronic Disclosure by Insiders. It will replace paper-based reporting of insider trading data for insiders of SEDI issuers. SEDI is a national electronic insider reporting system currently being developed by the CSA. SEDI will require insiders to file electronically their insider reports, and SEDI issuers to file electronically certain information, over the Internet, using a SEDI website. The public will also be able to search for and look at information filed on SEDI over the same website.

SEDI was operational for a period of time from October 29, 2001 to January 31, 2002. However, the SEDI operator had to suspend SEDI due to technical difficulties.

**1.32 When will I need to use SEDI?**

You will need to use SEDI to file and search for information when the CSA publicly announces that SEDI is again operational.

**2. WHO IS AN INSIDER WITH REPORTING OBLIGATIONS?**

## 2.1 Am I an insider?

In general, you are an insider if you hold one or more of the following positions with the reporting issuer:

- director
- senior officer
- significant security holder – that is, if you (or your company) control 10% or more of the voting rights in the issuer's securities (or, in Quebec, 10% of a class of the issuer's securities).

A senior officer generally means:

- the chair, vice-chair, president, vice-president, secretary, treasurer, general manager of a company or any other individual who performs functions for an issuer similar to those normally performed by an individual occupying any of these positions
- each of the five highest paid employees of an issuer (except in Quebec).

Therefore, even if you do not hold a senior officer title, but are one of the top five highest paid employees of the issuer, you are considered an insider in all jurisdictions except Quebec. However, in British Columbia and Saskatchewan, you are not an insider if you are one of the five highest paid employees (and not otherwise a senior officer because of your title), but are a commissioned salesperson not part of management. If you are a vice-president who does not make policy nor has access to material confidential information about the issuer, see question 2.4.

You are also an insider if you are a director or senior officer of a company that is itself an insider or subsidiary of a reporting issuer.

In addition, in certain other circumstances, you may be deemed to be an insider. Please see question 2.3 which explains the circumstances in which you would be deemed to be an insider for insider reporting purposes.

For a definitive answer on whether you are an insider, consult the securities legislation of the relevant province.

## 2.2 Do I have to report if I am an insider?

Yes. You need to report your holdings and transactions in securities of the reporting issuers of which you are an insider, unless you are exempt.

## 2.3 Do I need to report for a period before I was a director or senior officer of the relevant reporting issuer?

Yes, in certain situations.

- If you are a director or senior officer of an issuer that itself becomes an insider of a reporting issuer, you are considered to have been an insider of the reporting issuer

for the previous six months or for the shorter period that you were a director or senior officer of the issuer.

- If a reporting issuer becomes the insider of another reporting issuer, and if you are a director or senior officer of the latter reporting issuer, you are considered to have been an insider of the former reporting issuer for the previous six months or for the shorter period that you were a director or senior officer of the latter reporting issuer.

If you are such a director or senior officer, you will need to file an initial insider report containing the securities transactions or positions to be reported during these periods. These circumstances may apply, for example, on the amalgamation of two issuers.

#### **2.4 Do I need to file insider reports if I am a vice-president, but do not make policy nor have access to material confidential information about the issuer?**

Yes. You need to file insider reports if you hold securities of the reporting issuer. Because you hold the title of vice-president, you are an insider. However, you may wish to apply to the relevant Securities Commission for an exemption from insider reporting requirements. In the CSA Notice 55-306 *Applications for Relief from Insider Reporting Requirements by Certain Vice-Presidents* (CSA Notice 55-306), CSA staff indicated that they would generally support an application for relief from the insider reporting requirements for an individual who holds the title of vice-president but does not ordinarily have access to material confidential information prior to general disclosure and would not reasonably be considered a senior officer from a functional point of view if the application follows the guidelines provided in the Notice. CSA staff anticipate that they will propose an amendment to NI 55-101 to address the issue discussed in Notice 55-306.

#### **2.5 As an insider, do I need to report shares my spouse owns?**

You need to report transactions and holdings in shares that your spouse (or any other person related to you) owns when you have control or direction over these shares.

#### **2.6 What do I need to do if I'm an insider of several companies and hold securities in each of these companies?**

You need to file a separate insider report for each company in which you hold securities.

#### **2.7 Do I need to file insider trade reports under federal legislation, such as the *Canada Business Corporations Act*?**

No. There are no insider reporting requirements currently under the *Canada Business Corporations Act*, *Bank Act*, *Cooperative Credit Associations Act*, *Insurance Companies Act* or *Trust and Loan Companies Act*.

**2.8 Do I also need to file an insider report if I file an early warning report (EWR) or an alternative monthly report for a particular transaction (AMR)?**

You may not need to file an insider report when you file an EWR or AMR if you can use the exemption provided in National Instrument 62-103 *The Early Warning System and Related Take-Over Bid and Insider Report Issues* (Part 9). The EWRs and AMRs are filed on SEDAR.

**2.9 Do I need to file a report when I become an insider if I do not own any securities of the issuer?**

No.

**3. THE INSIDER REPORT FORM**

**3.1 What do I report when I first become an insider of a reporting issuer and own securities of that issuer?**

You need to file an initial insider report within 10 calendar days of becoming an insider of a reporting issuer. You need to disclose your direct or indirect beneficial ownership of, or control or direction over, securities of that issuer.

If you do not own or have control over any securities of the reporting issuer when you become an insider, you do not need to file an initial insider report until you make your first trade in securities of the reporting issuer. You must then file an initial report within 10 calendar days after you made this trade.

**3.2 What do I report after I have made my initial insider report?**

You need to file an insider report within 10 calendar days of the date on which any change in your holdings of the reporting issuer occurs.

In this report, you need to report:

- Each transaction or event that led to a change in your direct or indirect beneficial ownership of, or control or direction over, securities of the reporting issuer
- Your holdings in other securities of the reporting issuer that you owned, directed or controlled even though your ownership, direction or control over those securities did not change. Even if this is technically not applicable in Quebec, such reporting is recommended in Quebec.

For electronic insider reporting on SEDI, you will not have to report your holdings in other securities of the reporting issuer that did not change.

The insider report form requires you to use codes to describe such things as your relationship to the issuer, the nature of the transaction, and whether or not your holdings are 'direct' or 'indirect'. The codes are listed on the back of the form.

### **3.3 What address should I put on the form – my business or home address?**

You should put your home address on the form if you are an individual insider.

### **3.4 Do I need to add the name of the broker or depository as the registered holder of the securities if I own the securities directly?**

No. Securities beneficially owned directly but held through a nominee such as a broker or book-based depository are considered direct holdings.

### **3.5 When do I need to add registered holders and in what circumstances?**

You first need to identify the type of ownership, direction or control by choosing the appropriate code (listed on the back of the form). You need to add the name of the registered holder for securities you hold that you do not own directly.

You can hold your securities in the following three ways:

- (1) You can hold them directly. For example, you can hold the securities in an account with your broker, but the account is in your name.
- (2) You can hold them indirectly. For example, you beneficially own common shares in X Co. but the registered owner is another entity such as a holding company, an RRSP or a family trust.
- (3) You can have control or direction over them. You have control or direction over the securities if you, directly or indirectly, through any contract, arrangement, understanding or relationship or otherwise have or share
  - voting power, or
  - investment power.

This would include having control or direction over the securities through a power of attorney, a grant of limited trading authority, or management agreement. For example, you set up a trust for your children in which Co. X securities are held. Because of your relationship with your minor children, you need to report your children's holdings, because you could direct your children to purchase or sell those securities. This may also be the case if your spouse (or any other person related to you) owns the securities, but you have control or direction over those securities.

If you have reported the code for either indirect ownership or control or direction, disclose the name of the registered holder in the space provided. The registered holder is the entity through which you beneficially own the securities, such as an RRSP,

holding company, family trust, or the person or company that owns the securities you have control or direction over.

### **3.6 What codes do I use on the insider report?**

You use codes to describe:

- the type of the transaction you are reporting (nature of transaction)
- the type of ownership you have of the securities
- your relationship with the issuer.

A current list of the codes is on the instruction page of Form 55-102F6 (available on the Securities Commissions websites – see Appendix A).

Some of the codes changed in January 2002. It is important that you use the new codes to avoid uncertainty as to the nature of your transaction and to avoid misleading the marketplace.

### **3.7 How do I add more information about the transactions I am reporting?**

The insider report form has space for reporting seven transactions. If you have more than seven transactions to report, you may either:

- complete additional insider reports and mark them as pages 2, 3, etc. of your filing, or
- attach a separate sheet to the insider report which lists the additional transactions and provides the same information that is required by Box 5 of the insider report.

You can also add information in the 'Remarks' box. If more space is needed to describe a complete event, consider cross-referencing a document already publicly disclosed that has this information, such as a press release or a material change report.

### **3.8 What if I have to change information that I already filed in a report?**

You can change this information by filing an amended insider report. See question 1.20.

### **3.9 Do I have to report all my holdings in all securities of the reporting issuer or just transactions in the securities in which my beneficial ownership changed?**

Yes. You have to report all holdings and changes (but see question 3.2).

## **4. HOW DO I REPORT TRANSACTIONS AND OTHER INFORMATION?**



#### 4.1 How do I report transactions?

You report each transaction separately on the form – do not combine or aggregate several transactions and report them as one transaction. However, we do accept aggregation of transactions for normal course issuer bids and automatic securities purchase plans. See questions 4.8 and 4.9.

You should report the transactions by class of security in chronological order by date. For each class of security, you need to report:

- the balance you held (from the closing balance on your last insider report)
- details of each transaction that took place since the last report
- your closing balance.

For each transaction, you need to include the:

- type of security
- date of the transaction
- nature of the transaction (see codes)
- number of securities acquired or disposed of
- unit price
- type of ownership, direction or control (see codes)
- identity of the registered owner if you are not the direct beneficial owner.

#### 4.2 Is a common share and a stock option the same thing?

No. A stock option is the *right* to buy or sell a specific security, such as a common share, at a predetermined price within a specified time. A common share is a security which represents ownership in a company and carries voting privileges.

#### 4.3 What is a derivative?

A derivative is a financial instrument that derives its value from an underlying interest, security or formula. For reporting purposes, derivatives may be classified as either issuer derivatives or third party derivatives.

Issuer derivatives are securities issued by the issuer directly to its insiders. For example, stock options issued by a company to its officers and directors are issuer derivatives. Other issuer derivatives are warrants, rights, and special warrants.

Third party derivatives are securities issued by someone other than the issuer. The price of third party derivatives is based on an underlying interest (such as common shares) issued by the issuer as the underlying security. Third party derivatives include exchange-traded options or over-the-counter options.

#### **4.4 What is an underlying security and how do I report it?**

An underlying security is a security you would acquire if you exercised the right attached to another previously acquired security. For example, if you previously acquired an option that is exercisable into a common share, the common share is the “underlying security.” You would receive a common share when you exercise the option. You need to report both the grant of the option and, when you exercise the option, the acquisition of the underlying security, the common share.

#### **4.5 What are equity monetization transactions?**

Equity monetization transactions are transactions which allow an investor to receive a cash amount similar to proceeds of disposition, and to transfer all or part of the economic risk and/or return associated with securities of an issuer, without actually transferring the legal and beneficial ownership of such securities.

The term “monetization” generally refers to the conversion of an asset (such as securities) into cash.

#### **4.6 Do I have to file insider reports for securities that I have monetized?**

This will depend on the particular facts and circumstances of the transaction, and the specific requirements of the applicable provincial securities legislation.

Although we believe that in many cases equity monetization transactions fall within the existing rules governing insider reporting, we recognize that, in certain cases at least, there may be a genuine question whether the existing insider reporting rules apply. In such cases, we would nevertheless recommend that the insider file an insider report in respect of the monetization transaction.

The CSA are currently in the process of developing a proposed National Instrument to address the concern that certain monetization arrangements may, for technical reasons, fall outside of the existing insider reporting requirements.

CSA staff are currently preparing a staff notice containing examples of various types of monetization arrangements, together with examples of completed forms for such arrangements. This staff notice will be published on or before the time the National Instrument is published in final form.

#### **4.7 How do I report transactions involving issuer derivatives?**

This is the way we suggest you report in the paper form transactions involving issuer derivatives.

Let's assume you were granted 2,000 options under your company's stock options plan. The options are convertible into common shares on a 1:1 basis.

When you file your initial insider report, report that you acquired 2,000 options on Form 55-102F6 in Box 5. Provide a brief description in Box 6 – Remarks as to the equivalent amount of underlying common shares.

Now let's assume that you just exercised 500 options and acquired 500 common shares.

When you file your insider report you would indicate that you disposed of 500 options (for a present balance of 1,500 options) and that you acquired 500 common (with a new present balance of 500 common shares). In short, you would report two distinct transactions on Form 55-102F6.

BOX 5. INSIDER HOLDINGS AND CHANGES (IF INITIAL REPORT, COMPLETE SECTIONS A, D, E AND F ONLY. SEE ALSO INSTRUCTIONS TO BOX 5)

A DESIGNATION OF CLASS OF SECURITIES	B BALANCE OF CLASS OF SECURITIES ON LAST REPORT	C TRANSACTIONS								D PRESENT BALANCE OF CLASS OF SECURITIES HELD	E DIRECT / INDIRECT OWNERSHIP / CONTROL OR DIRECTION	F IDENTIFY THE REGISTERED HOLDER WHERE OWNERSHIP IS INDIRECT OR WHERE CONTROL OR DIRECTION IS EXERCISED
		DATE			NATURE	NUMBER/VALUE ACQUIRED	NUMBER/VALUE DISPOSED OF	UNIT PRICE / EXERCISE PRICE	\$ US			
DD	MM	YY										
OPTIONS	0	1	1	03	50	2,000		1.50		2,000	1	

BOX 6. REMARKS

ATTACHMENT  YES  NO

This form is used as a uniform report for the insider reporting requirements under all provincial securities Acts. The terminology used is generic to accommodate the various Acts.

EACH OPTION CONVERTED INTO 1 COMMON SHARE

BOX 5. INSIDER HOLDINGS AND CHANGES (IF INITIAL REPORT, COMPLETE SECTIONS A, D, E AND F ONLY. SEE ALSO INSTRUCTIONS TO BOX 5)

A DESIGNATION OF CLASS OF SECURITIES	B BALANCE OF CLASS OF SECURITIES ON LAST REPORT	C TRANSACTIONS								D PRESENT BALANCE OF CLASS OF SECURITIES HELD	E DIRECT / INDIRECT OWNERSHIP / CONTROL OR DIRECTION	F IDENTIFY THE REGISTERED HOLDER WHERE OWNERSHIP IS INDIRECT OR WHERE CONTROL OR DIRECTION IS EXERCISED
		DATE			NATURE	NUMBER/VALUE ACQUIRED	NUMBER/VALUE DISPOSED OF	UNIT PRICE / EXERCISE PRICE	\$ US			
DD	MM	YY										
OPTIONS	2,000	1	1	04	51		500	1.50		1,500	1	
COMMON SHARES	0	1	1	04	51	500		1.50		500	1	

**4.8 How does an issuer that is an insider, report transactions under a normal course issuer bid?**

Under NI 55-101 an issuer can report acquisitions in connection with a normal course issuer bid (as defined in NI 55-101) within 10 calendar days of the end of the month in which the acquisition occurred, as opposed to within 10 calendar days after the transaction. NI 55-101 requires you to report each acquisition. We recognize that the

exemption in NI 55-101 only specifically covers acquisitions. However, the CSA is of the view that each cancellation of the securities acquired under the normal course issuer bid should also be reported at the same time. Therefore, you would report transactions under a normal course issuer bid within 10 calendar days of the end of the month, in the following manner:

*Step 1:*

Report *each acquisition* of securities that took place under the normal course issuer bid as a separate transaction, with the appropriate transaction code. If more practical, rather than reporting each acquisition in a given day, you can report each day's acquisitions as one acquisition, using the daily average. For example, if you acquired the securities over a stock exchange, use nature code 38 – redemption/retraction/cancellation/repurchase.

*Step 2:*

Report *each cancellation* of securities acquired under the normal course issuer bid as a separate transaction using nature code 38 - redemption/retraction/cancellation/repurchase.

**4.9 How do I report acquisitions under an automatic securities purchase plan (including employee share purchase plans (ESOPs) and dividend reinvestment plans (DRIPs))?**

Under NI 55-101, if you acquire securities under an automatic securities purchase plan such as an ESOP or DRIP, you must report the acquisition within 90 calendar days of the end of the calendar year. If, however, you dispose of or transfer any securities you acquired under the ESOP or DRIP during the year, both the acquisition and disposition/transfer of those securities must be reported within 10 calendar days of the disposition.

You should report acquisitions under your automatic share purchase plan as a separate transaction, using nature code 30 – acquisition or disposition under a purchase/ownership plan for each transaction.

*Alternative Method*

We recognize that the time and effort required to report each transaction in the above manner may outweigh the benefits to the market of having this detailed information. We are considering whether insiders should be permitted under securities law to report on a yearly basis aggregate acquisitions (with an average unit price) of the same securities through their automatic share purchase plans. In the meantime, we will not take any action if reports are filed in the following alternative manner:



#### **4.13 How do I report stock-based compensation (other than options) such as deferred share units (DSUs), restricted share awards (RSAs), and stock appreciation rights (SARs)?**

One of the most common forms of stock-based compensation is granting options that, upon exercise, are converted into the issuer's common shares. However, there are other less common types of stock-based compensation. For example, restricted share awards (RSAs) and deferred share units (DSUs) entitle employees to an award of the issuer's common shares after a specified period. Other forms of stock-based compensation such as stock appreciation rights (SARs) entitle the employee to future cash payments based on the value or growth in value of the issuer's common shares over a specified period.

- *RSAs and DSUs*

*Step 1 – Grant of RSAs or DSUs:*

Report the number of RSAs or DSUs awarded in "C" of Box 5 – Transactions, using nature code 56 – Grant of rights. Report the equivalent amount of underlying common shares in the "Remarks" box.

*Step 2 – Vesting and distribution of underlying common shares:*

When the RSAs or DSUs vest, report an acquisition of the relevant number of underlying common shares as one transaction. You will also need to report a disposition of the corresponding number of the RSAs or DSUs, using the same code, as another transaction.

- *SARs*

If you conclude that your SAR is a security, report the transaction as follows.

*Step 1 – Grant of SAR*

Report the number of SARs awarded and the exercise price in "C" of Box 5 - Transactions, and report the equivalent amount of underlying common shares in Box 6 - Remarks. Use nature code 56 – Grant of Rights.

*Step 2 – Vesting and distribution of cash*

Report a disposition of the relevant number of SARs.

#### **4.14 How do I report changes to my holdings as a result of share consolidations/splits?**

- *Example: a 4- for-1 consolidation of 100 common shares*

If you held 100 common shares that were consolidated on a 4:1 basis (so that you now hold 25 common shares), you report the change as follows. Calculate the new number of common shares you hold after the consolidation – in this case, 25 common shares. Subtract your new holdings from what you held before the stock consolidation; in this case, 100 – 25, and then report the difference as a disposition – i.e. 75 common shares, as a disposition, using nature code 37- Stock split or consolidation.

- *Example: a 4-for-1 split of 100 common shares*

If you held 100 common shares that were split on a 4:1 basis, so that you now hold 400 common shares, you report the change as follows. Calculate the new number of common shares you hold after the split – in this case, 400 common shares. Subtract from this number the number of common shares you held before the split: 400-100, and report the difference – i.e. 300 common shares, as an acquisition using nature code 37.

**4.15 How do I report an exercise of options?**

There are two steps to report the exercise of an option.

*Step 1*

Report the number of options being exercised as a disposition. Use nature code 51 to report the disposition. If you’re not sure of the amount of underlying shares, contact the company.

*Step 2*

Show an acquisition of the underlying security (i.e., common shares) that is, based on the exchange ratio, equal to the appropriate amount of options exercised. Use nature code 51 – exercise of options to report the acquisition of the common shares.

FORM 8879-INSIDER HOLDINGS AND CHANGES (USE INITIAL REPORT, COMPLETE SECTIONS 1, 2, 3, 4 AND 5 ONLY. SEE ALSO INSTRUCTIONS TO FORMS)

DISPOSITION OF CLASS OF SECURITIES	BALANCE OF CLASS OF SECURITIES OR UNIT ACQUIRED	TRANSACTIONS							PRESENT BALANCE OF CLASS OF SECURITIES HELD	IDENTIFY THE REGISTERED CONTROL PERSONS WHO ARE REPORTING OFFICERS OR DIRECTORS OF THE COMPANY	
		DATE 00 MM YY	NATURE	NUMBER OF SHARES ACQUIRED	NUMBER OF SHARES DISPOSED OF	UNIT PRICE / EXERCISE PRICE	\$				
OPTIONS	2,800	1	1	04	51		580	1.58	<input type="checkbox"/>	1,280	L
COMMON SHARES	0	1	1	04	51	308		1.58	<input type="checkbox"/>	580	L
									<input type="checkbox"/>		
									<input type="checkbox"/>		
									<input type="checkbox"/>		
									<input type="checkbox"/>		
									<input type="checkbox"/>		
									<input type="checkbox"/>		

Report the date of the transaction, the exercise price, etc. and then go through the steps required to complete and file your report.

**5. TOP FILING ERRORS ON INSIDER REPORTS**

## **5.1 What are the most common filing errors on insider reports?**

Here is a list of the most common filing errors made on insider reports. We strongly suggest that you check your proposed filing for these types of errors in order to lessen the likelihood that a Securities Commission will consider your report incorrect and return it to you.

- Problems with reporting your type of ownership - Not reporting by type of holding (direct ownership, indirect ownership, or control or direction), using old ownership codes, or wrong ownership codes
- Problems with reporting the type of transaction - Not reporting the type of transaction (by inserting a nature code), or using old codes
- Problems with reporting transactions under normal course issuer bids – Using old codes or wrong codes, using nature code “97” – Other, and stating it is an issuer bid in the “Remarks” box
- Not reporting opening/closing balances, or using an opening balance that is different from the closing balance on your last report
- Reporting escrowed shares as a separate class of securities
- Not reporting the name of the registered holder (for indirect or control/direction holdings)
- Not showing both sides of the transaction, if applicable (i.e., exercise of options – disposition of options/acquisition of common shares)
- Not showing transactions by separate security
- Not reporting your relationship to the issuer – i.e., no code reported to explain your relationship to an issuer (i.e., senior officer, director, significant shareholder)
- Not signed
- Making math mistakes in transactions
- Not reporting properly securities acquired/disposed of under ESOPs, DRIPs, RSAs and other plans (see Part 4 of the QA).

## **6. PUBLIC ACCESS TO INSIDER REPORTS**

### **6.1 Where can I look at insider reports?**



You can look at insider reports at the offices of the relevant Securities Commission during business hours.

## **6.2 Where and how can I get copies of insider reports filed?**

You can contact the relevant Securities Commission during office hours.

## **6.3 What does it cost to obtain a copy of an insider report?**

Search and copy fees vary depending on the Securities Commission. Please contact the relevant Securities Commission (see Appendix A).

## **6.4 How do I get a summary of insider transactions?**

Please contact the relevant Securities Commission (see Appendix A).

Securities Commissions with insider reporting requirements are required to publish summaries of insider reports and/or make the reports available for public inspection. In some jurisdictions, these summaries are available on the Securities Commission's website or on another public access site provided by a third party.

## **6.5 What information does the weekly insider report summary contain?**

Generally, the published summaries of the reports contain all the transactions disclosed in the insider reports filed recently in the applicable province. Generally, for each transaction or holding, the summary contains the:

- name of the insider
- reporting issuer
- security
- insider's relationship with the issuer
- date of transaction
- type of transaction
- number of securities acquired/disposed of
- unit price
- closing balances.

## **6.6 Does the weekly insider report summary available in each province contain reports filed with that province's Securities Commission?**

Generally, yes. In most provinces, the weekly summary contains all reports filed with that province.

November 15, 2002

**APPENDIX A****SECURITIES COMMISSIONS  
CONTACT AND WEBSITE INFORMATION****Alberta Securities Commission**

4<sup>th</sup> Floor, 300-4<sup>th</sup> Avenue S.W.  
Calgary, AB, Canada  
T2P 3C4  
Attention: Compliance Assistant, Insider Reporting  
Telephone: (403) 297-2489  
Facsimile: (403) 297-6156  
E-mail: [Inquiry@seccom.ab.ca](mailto:Inquiry@seccom.ab.ca)  
Website: <http://www.albertasecurities.com>

**British Columbia Securities Commission**

P.O. Box 10142 Pacific Centre  
701 West Georgia Street  
Vancouver, BC Canada  
V7Y 1L2  
Attention: Supervisor, Insider Reporting  
Telephone: (604) 899-6500 or (800) 373-6393 (in BC)  
Facsimile: (604) 899-6506 (for correspondence)  
(604) 899-6550 (for filing insider reports)  
E-mail: [inquiries@bcsc.bc.ca](mailto:inquiries@bcsc.bc.ca)  
Website: <http://www.bcsc.bc.ca>

**Commission des valeurs mobilières du Québec**

Stock Exchange Tower  
P.O. Box 246, 22nd Floor  
800 Victoria Square  
Montréal, PQ, Canada  
H4Z 1G3  
Attention: Public Relations Division  
Telephone: (514) 940-2150 or (800) 361-5072 (in Quebec)  
Facsimile:  
Public Relations Division: (514) 864-7854  
For insider reports:  
(514) 873-3120  
E-mail: [courrier@cvmq.com](mailto:courrier@cvmq.com)  
Website: <http://www.cvmq.com>

**Manitoba Securities Commission**

1130-405 Broadway  
Winnipeg, MB, Canada  
R3C 3L6  
Attention: Assistant Counsel  
Telephone: (204) 945-2548  
Facsimile: (204) 945-0330  
Website: <http://www.msc.gov.mb.ca>

**Nova Scotia Securities Commission**

2<sup>nd</sup> Floor, Joseph Howe Building  
1690 Hollis Street  
P.O. Box 458  
Halifax, NS, Canada  
B3J 3J9  
Attention: Corporate Finance  
Telephone: (902) 424-7768  
Facsimile: (902) 424-4625  
Website: <http://www.gov.ns.ca/nssc/>

**Ontario Securities Commission**

Suite 1903, Box 55  
20 Queen Street West  
Toronto, ON, Canada  
M5H 3S8  
Attention: Review Officer, Insider Reporting  
Telephone: (416) 593-8314  
1-877-785-1555 (toll free)  
Facsimile for filing insider reports: (416) 593-3666  
E-mail: [inquiries@osc.gov.on.ca](mailto:inquiries@osc.gov.on.ca)  
Website: <http://www.osc.gov.on.ca>

**Saskatchewan Securities Commission**

800-1920 Broad Street  
Regina, SK, Canada  
S4P 3V7  
Attention: Deputy Director, Registration  
Telephone: (306) 787-5842  
Facsimile: (306) 787-5899  
Website: <http://www.ssc.gov.sk.ca>

**Securities Commission of Newfoundland and Labrador**

P.O. Box 8700

2<sup>nd</sup> Floor, West Block

Confederation Building

St. John's, NL, Canada

A1B 4J6

Attention: Director of Securities

Telephone: (709) 729-4189

Facsimile: (709) 729-6187

Website: <http://www.gov.nf.ca/gsl/cca/s/>

## **APPENDIX B PROVINCIAL INSIDER REPORTING REQUIREMENTS**

### **Alberta**

- Part 15 of the Alberta Securities Act
- Form 37 Report by a Registered Owner of Securities Beneficially Owned by an Insider
- Part 14 of the Alberta Securities Commission Rules

### **British Columbia**

- Part 12 Continuous Disclosure of the British Columbia Securities Act (BCSA)
- Part 12 Continuous Disclosure, Division 3 Insider Reporting of the Rules to the BCSA

### **Manitoba**

- Part XI Insider Trading of the Manitoba Securities Act

### **New Brunswick**

- Chapter S-6 Security Frauds Prevention Act

### **Newfoundland**

- Part XX Insider Trading and Self Dealing in the Newfoundland Securities Act, Sections 107-110
- Part VII Insider Trading Regulations, Sections 142-149D
- Forms 35 and 36

### **Nova Scotia**

- Sections 113, 116 and 117 of the Nova Scotia Securities Act
- Part XI sections 170-181 of the Regulations
- Forms 36 and 38

### **Ontario**

- Part XXI of the Ontario Securities Act (OSA)
- Part VIII of the Regulations to the OSA
- Forms 37, 38
- Rule 55-502

**Quebec**

- Chapter IV of Title III of the Quebec Securities Act
- Chapter IV of Title III of the Quebec Securities Regulation
- Schedule XIX of the Quebec Securities Regulation

**Saskatchewan**

- Part XVII Insider Trading and Self Dealing of the Saskatchewan Securities Act
- Part XII Regulations on Insider Trading Items 164-173
- Forms 34 and 35

**Applicable National Instruments, Forms, Notices and Policies**

**Note:** The following documents also contain insider reporting requirements that apply in all provinces with insider reporting requirements.

- National Instrument 55-101 *Exemption from Certain Insider Reporting Requirements*
- National Instrument 55-102 *System for Electronic Disclosure by Insiders (SEDI)*
- Forms 55-102 F1 to 6
- Companion Policy Statement 55-102CP
- CSA Notice 55-303 *SEDI Extension of Electronic Filing and Reporting Deadlines*
- CSA Notice 55-304 *System for Electronic Disclosure by Insiders (SEDI) – National Instrument 55-102 (Electronic Reporting Deadlines Shifted)*
- CSA Notice 55-305 *Interim Requirements for Insiders and Issuers Affected by Suspension of SEDI Operation*
- CSA Notice 55-307 *Reminder to File Paper Insider Reports Using the Correct Codes.*]