

OSC Corporate Finance Division 2025 Financial Report: Guidance for Issuers

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On December 9, 2025, the Ontario Securities Commission (the OSC) released its [Corporate Finance Division 2025 Annual Report](#) (the Report), which, among other things, provides observations and guidance to reporting issuers on regulatory requirements in several distinct areas. The following summarizes the key takeaways from the Report.

Continuous Disclosure Issues

Under Ontario securities law, reporting issuers are required to provide timely, accurate, and decision-useful continuous disclosure (CD) about their business and affairs. The OSC's CD review program (CDR Program) plays a central role in monitoring compliance with these obligations, focusing not only on whether issuers meet the technical requirements of securities legislation but also on whether their disclosure is sufficiently transparent, entity-specific, and responsive to evolving market conditions. The Report highlights recurring deficiencies identified by the CDR Program and emerging expectations.

The OSC has outlined a number of deficiencies that repeatedly emerge and simultaneously highlighted areas of improvement in their annual report based on their continuous disclosure review program. The following six categories encompass the deficiencies outlined in the Report:

- **Disclosure Considerations Related to Global Geopolitical Uncertainty.** The OSC notes that issuers are in a rapidly evolving global political and economic environment, creating significant market uncertainty for issuers. Reporting issuers are reminded to continuously monitor the effects of ongoing geopolitical developments and ensure the impact is sufficiently disclosed. The OSC was particularly focused on changes in tariff policies, noting that increased tariffs can significantly affect supply chains and influence the cost of raw materials. The OSC expects issuers to discuss:
 - key risks related to geopolitical developments;
 - expected or known trends, events, or uncertainties;
 - operational impacts, including changes to supply chains or cost structures;
 - any counter tariffs affecting Canadian issuers;
 - management's responses, such as reallocation of assets or divestitures; and
 - the financial and liquidity impacts of these external factors

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CASSELS TIP: Reporting issuers should establish a board-level geopolitical risk assessment process that is integrated into their quarterly financial statement and MD&A preparation cycles. This process should require management to routinely evaluate whether external developments (e.g., tariff changes, supply-chain disruptions, counter-tariffs, commodity price swings, or cross-border regulatory shifts) materially affect operations, liquidity, or strategic plans, and ensure these impacts are reflected consistently in CD documents.

- **Forward-Looking Information (FLI).** The OSC cautioned reporting issuers against providing multi-year forward-looking information without clearly disclosing the reasonable and sufficient quantitative and qualitative assumptions underlying those projections. In the OSC's view, forward-looking information should not extend beyond the end of the issuer's next fiscal year unless it is supported by robust, verifiable assumptions. Specific industries, such as mining, may be better suited to longer-term forecasts due to the presence of more predictable quantitative inputs.

CASSELS TIP: Reporting issuer disclosure committees should enhance their oversight of forward-looking information by implementing a mandatory review for all forward-looking information. For example, the committee could integrate an FLI-specific checkpoint into quarterly MD&A and earnings-release preparation cycles. Before any forecasts, projections, or multi-year outlooks (financial or otherwise) are approved for release, the committee should require management to clearly document the quantitative and qualitative assumptions underlying such FLI and demonstrate how those assumptions are reasonable, verifiable, and tied to the issuer's actual operating conditions and internal planning. The information gathered should be used to provide the mandatory disclosure that is required for material FLI under securities laws.

- **Audit Committees: Material Relationship Triggers.** Under NI 52-110, audit committee members and independent directors must not have a material relationship with the reporting issuer. A material relationship is defined as a relationship which could, in the view of the reporting issuer's board of directors, be reasonably expected to interfere with the exercise of a member's independent judgement. Independence has both a principles-based test and bright-line disqualifications that apply regardless of any board determination once triggered. In particular, a person is not independent if they are or were an employee or executive officer within the past three years or received more than \$75,000 in direct compensation in any 12-month period within the last three years. This compensation trigger also extends to immediate family members. The OSC further clarified that the limited carve-outs in the instrument do not override any bright-line trigger if one is met.

CASSELS TIP: Reporting issuers should adopt a two-step assessment: test against the bright lines first. Only then, if none apply, should the board exercise its judgment under the general "could reasonably compromise judgment" standard. Legal counsel should be consulted where facts are uncertain.

- **Reporting Issuers Undergoing Bankruptcy, Restructuring and Receivership Proceedings.** The

OSC reminded reporting issuers that entering into bankruptcy, insolvency, restructuring or receivership proceedings does not relieve or exempt them from their securities filing obligations. Where a reporting issuer is in default of its financial statement filing obligations, the principal regulator will generally issue a failure to file cease trade order (FFCTO) until the issuer's continuous disclosure record is brought up to date. Reporting issuers should also assess whether the commencement of such proceedings triggers timely disclosure requirements, including the need to issue a news release. Issuers are also encouraged to ensure that any court orders obtained in connection with the proceeding contemplate their ongoing securities law obligations.

CASSELS TIP: Boards should require management and their restructuring advisors to: (i) map out required filings and potential material change disclosures early; (ii) confirm that court orders expressly account for ongoing securities law obligations; and (iii) proactively identify any need for exemptive relief from the OSC where it is the principal regulator. This oversight reduces the risk of regulatory delays, FFCTOs, and court process complications.

- **Filing Requirements for Amended Material Contracts.** Under NI 51-102, an amendment to a previously filed material contract is itself a "material contract" and must be filed on SEDAR+. The OSC noted this remains a recurring deficiency. For issuers that file an AIF, an amended material contract tied to a material change must be filed no later than the related material change report, and all other amended material contracts made or adopted before the AIF must be filed at the time the AIF is filed. For issuers that do not file an AIF, an amended material contract tied to a material change must be filed no later than the material change report, and all other amended material contracts must be filed within 120 days after fiscal year?

CASSELS TIP: Boards should ensure that disclosure controls include a trigger that automatically assesses whether any contract amendment (including ordinary course agreements on which the business is substantially dependent) requires filing.

- **Meaning of "Subsidiary" May Encompass Non-Corporate Entities.** In response to a number of issuers taking a restrictive approach to determining their subsidiaries, the OSC clarified its view that the relevant provisions with respect to subsidiary determination in the *Securities Act* (Ontario) are non-exhaustive interpretation provisions, not exhaustive definitions, and therefore do not preclude partnerships, trusts, or other unincorporated arrangements from being a "subsidiary," "affiliate," or being in a relationship of "control" or "beneficial ownership" under securities law. Staff cautioned that asserting an operating company is not a subsidiary merely because an intervening partnership or trust exists can raise significant public interest concerns (e.g., failure to consolidate, or misidentifying insiders/special relationships). The OSC noted this interpretive approach is reinforced elsewhere in Canadian securities law. For example, NI 51-102 guidance on "affiliate" and "control," and Form 44-101F1, which states that "subsidiary" includes partnerships, trusts, and other unincorporated business entities. Issuers should assess substance over form and ensure financial

reporting and insider analyses reflect actual control and dependence, not just the legal form of entities.

CASSELS TIP: Ensure your disclosure controls require management to identify and treat all controlled partnerships, trusts, joint ventures, and other unincorporated vehicles as “subsidiaries” or “affiliates,” where control exists, for the purposes of consolidation, insider designations, and continuous disclosure.

Prospectus Issues

The OSC has noted a number of deficiencies that became common and highlighted areas for improvement in the review of roughly 300 prospectus filings. Key deficiencies include:

- **Descriptions of Business.** Early-stage issuers often omit sufficient, entity-specific details about the nature of their business. Prospectus disclosures must clearly state when plans are preliminary, unexecuted, or not supported by binding agreements, and avoid boilerplate or overly promotional language that overstates the issuer’s stage of development. Issuers should expressly disclose the absence of definitive contracts or relationships where strategies depend on future suppliers, customers, financing, or other arrangements. This level of specificity is a recurring focus of OSC reviews.
- **Significant Developments During Review.** If significant developments such as changes in market conditions, new or amended material contracts, financings, board or executive changes, or the commencement of a strategic review arise during a prospectus review, the issuer must advise OSC staff as soon as possible. These developments may also trigger securities law requirements, including the need to file a material change report and amend a preliminary prospectus.
- **Comfort Letter Requirements.** When filing a preliminary prospectus accompanied by an *unsigned* auditor’s report, issuers must provide a signed, dated comfort letter from their auditor, addressed to the applicable securities regulators. The comfort letter must confirm that the auditor is in a position to sign the auditor’s report as of a date reasonably close to the preliminary prospectus filing, with the audit being substantially complete except for the four items permitted under the CPA Canada Handbook: (i) consideration of events between the preliminary and final prospectuses; (ii) review of OSC comments; (iii) authorization of the financial statements; and (iv) reading of the final prospectus. The letter must be dated, address regulators, and avoid any qualifications beyond the four permitted items.

Exempt Market Issues

- **Offering Memoranda for Exempt Distributions.** The OSC reiterated that any OM used under the offering memorandum prospectus exemption (OM Exemption) must strictly comply with the terms of

the OM Exemption, including specialized disclosures when the distribution involves a syndicated mortgage, an issuer engaged in real estate activities, or a collective investment vehicle. Issuers conducting an ongoing distribution must also periodically amend the OM to include audited annual financial statements for the most recently completed year, prepared in accordance with IFRS, together with a notice of use of proceeds. These obligations continue annually until the issuer becomes a reporting issuer or ceases business. Where proceeds will be invested, lent, or otherwise transferred to another entity, the issuer must apply the subsidiary test in NI 45-106 and, if the other entity is not a subsidiary, provide the Form disclosure about proceeds transferred to other issuers. The OSC cautions that non-compliance may lead to corrective action and potential enforcement consequences.

- **Tax Shelter and RRSP Strip Schemes.** The OSC cautions that “tax shelter” promotions and RRSP strip schemes – arrangements that purport to let investors withdraw funds from registered plans on a tax-free basis – raise significant regulatory concerns because they often involve a series of interrelated transactions, and regulators may treat the entire arrangement (not just the securities step) as a security that must comply with Ontario securities law. Marketing and offering documents must be fair, balanced, and not misleading, and should disclose the scheme as a whole, including clear, specific risks (notably the risk that the CRA may challenge or deny claimed tax benefits). The OSC expects promoters and issuers to substantiate tax claims – e.g., by referencing the basis for any tax credits/deductions and the scope of any supporting legal opinion (and whether it’s addressed to investors or only the promoter) – and reminds market participants that it continues to review these schemes and take action as appropriate.
- **Non-Delivery of Annual Financial Statements (AFS) Under the Offering Memorandum Prospectus Exemption.** On October 8, 2025, the OSC launched the AFS non-delivery list to identify *non-reporting issuers* that have relied on the OM Exemption but have not delivered their audited annual financial statements to the OSC. Before placing an issuer on the list, OSC staff provide notice and an opportunity to remedy the default or explain why the issuer is not in default. Removal occurs once the issuer files the two most recent years of AFS with the required Notice of Use of Proceeds and pays the applicable fee. Under NI 45-106, issuers using the OM Exemption must, within 120 days of each financial year-end, deliver:
 - *Annual Financial Statements:* An issuer must, within 120 days after the end of each financial year, deliver AFS to the securities regulatory authority and have them available to all purchasers under the OM Exemption. These statements must be audited and prepared to comply with IFRS Accounting Standards.
 - *Notice of Use of Proceeds:* A notice disclosing proceeds raised under the OM Exemption must follow the filing of the financial statements.

These obligations continue until the earlier of (i) the date the issuer becomes a reporting issuer in any Canadian jurisdiction, or (ii) the date it ceases to carry on business.

M&A Issues

- **Financial Hardship Exemption.** When relying on the financial hardship exemption under MI 61?101, issuers must include specific, robust disclosure in the material change report: the purpose and business reasons for the transaction, its anticipated effect on the issuer's business and affairs, a description of the board/special committee review and approval process, and the facts supporting reliance on the formal valuation and minority approval exemptions. The exemption is available only if the issuer is not otherwise required to hold a meeting of affected securityholders for any reason. If a meeting is required, even for an unrelated matter, the exemption cannot be used. The OSC also cautions about proximity to a meeting: completing a hardship transaction shortly before or after a scheduled meeting is generally inappropriate because the issuer is already incurring meeting costs. In rare circumstances where a pre-meeting transaction is necessary to fund the costs of holding the required meeting, that purpose must be explicitly disclosed in the material change report.

CASSELS TIP: Ensure the material change report reads like a complete, standalone explanation of the issuer's financial distress and decision-making process. Provide the WHY (distress), the WHAT (alternatives), and the HOW (hardship addressed), and the basis for relying on the financial hardship exemption. The report should also explicitly state whether a securityholder meeting is required for any reason.

- **Previously Agreed to Transactions.** MI 61?101 includes a narrow carve-out for transactions that a reporting issuer is legally obligated to complete under terms that were agreed to and generally disclosed either before the issuer became a reporting issuer or as part of a previously disclosed transaction that complied with, or was exempt from, MI 61?This exemption cannot be relied upon where the issuer has discretion: optional transactions do not qualify and the OSC emphasizes that the analysis turns on whether the issuer is contractually bound to proceed. The OSC also cautions that amendments to a previously disclosed agreement may constitute a new related party transaction, requiring a fresh assessment of valuation and minority approval requirements. For example, a related party's exercise of an option to acquire an asset may fall within the carve-out if the issuer was already obligated under the original agreement, whereas the issuer's own discretionary exercise of an option would not.

CASSELS TIP: Do not rely on this carve-out for optional, discretionary, or materially amended transactions.

- **Minority Approval Via Written Consent.** Under MI 61?101, minority approval is ordinarily required at a meeting of affected securityholders. Approval by written consent is available only through exemptive relief, and then only in limited circumstances. To support such relief, the issuer should be able to demonstrate that a majority of the eligible minority would vote in favour and that a disclosure document containing the same information, including prospectus-level disclosure where applicable,

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has been filed and made available to all securityholders at least 14 days before any written consents are obtained. The OSC stresses that this relief is exceptional and generally suited to closely held issuers, where the identity and holdings of the eligible minority are known. It must not be used as a pretext to broadly solicit support by written consent.

CASSELS TIP: Issuers should not expect or seek exemptive relief to obtain written consent if the issuer is (i) widely held, or (ii) unable to deliver circular?equivalent disclosure on the required timeline: at least 14 days before collecting consents.

Acts in Furtherance of a Trade

Under the *Securities Act* (Ontario), “trade” is defined broadly to include any act, advertisement, solicitation, conduct, or negotiation (directly or indirectly) in furtherance of a trade. While there is a narrow carve?out for a transfer, pledge, or encumbrance of securities given as collateral for a bona fide debt, a recent Capital Markets Tribunal finding that was upheld by the Divisional Court underscores that this exception covers only the collateral transfer/pledge itself and not subsequent dealings by the pledgee, nor transactions connected to the debt issuance, which may themselves constitute acts in furtherance of a trade. Assessing whether conduct furthers a trade is fact?specific, considering the totality of circumstances, proximity to the contemplated trade, and whether benefits are expected from it. Where activity appears part of a pre?arranged scheme, and a trade related to the securities is expected, involvement in the conveyance may constitute acts in furtherance of a trade. Parties involved may therefore trigger compliance or registration issues.

For more information on how the regulatory matters and potential policy developments mentioned above may affect your business, please contact a member of our [Capital Markets Group](#).

This publication is a general summary of the law. It does not replace legal advice tailored to your specific circumstances.