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CSA Seeks Input on Reporting Issuer Reforms: Proposals Could Change the Landscape for Public Companies in Canada

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The Consultation

The Canadian Securities Administrators has launched a broad 120-day consultation that could lead to significant changes to the regulatory framework for Canadian reporting issuers. The focus is on reducing regulatory burdens, facilitating capital formation and improving market competitiveness, while maintaining investor protection. The consultation seeks feedback on several potentially significant reforms that could affect:

- reporting issuers, in particular venture issuers;
- institutional investors;
- dealers; and
- boards and management teams.

The consultation focuses on five key areas:

1. Proportionate Regulation: How to Determine "Venture Issuer" Status
2. Financial Reporting: Providing Less Burdensome Alternatives for Certain Issuers
3. Changes to Private Placements: Reconsidering Hold Periods
4. Material Change Reporting: Alternatives to the Prescribed Filing and Form
5. Developments in the United States: Considering Whether Canadian Rules Should Respond to SEC Modernization Initiatives

Proportionate Regulation: How to Determine "Venture Issuer" Status

The CSA is considering whether the longstanding approach to distinguishing between venture and non-venture issuers continues to be appropriate. The current approach is based largely on the issuer's exchange listing. The CSA notes that some larger and more mature issuers remain listed on venture exchanges while certain issuers lose venture issuer status for reasons unrelated to their size or complexity. The CSA is therefore seeking feedback on alternatives, including retaining the existing framework with targeted adjustments, replacing the exchange-based test with issuer-specific financial or operational metrics such as market capitalization, revenue, assets or public float, or requiring larger issuers to graduate from venture exchanges once specified thresholds are exceeded. The CSA is seeking views on whether a different framework would better align regulatory obligations with issuer size, complexity and investor needs.

Financial Reporting: Providing Less Burdensome Alternatives for Certain Issuers

The CSA has received feedback that some IFRS requirements impose costs and complexity that are disproportionate for smaller issuers, particularly where compliance requires specialized expertise, extensive valuation work or complex judgments. The CSA is considering whether a subset of venture issuers should be permitted to prepare financial statements using a modified approach to IFRS or another proportionate financial reporting regime, and is seeking feedback on how such a framework could reduce costs while preserving information that investors consider important for investment decisions.

Changes to Private Placements: Reconsidering Hold Periods

Another significant area of consultation relates to resale restrictions on securities issued in private placements. The CSA is considering whether hold periods should be reduced or eliminated for reporting issuers, whether a continuous market access model could be appropriate, and separately considering a new exemption with no hold periods. The consultation is seeking market views on whether the traditional four-month hold period remains justified in light of modern continuous disclosure requirements, enhanced secondary market civil liability regimes and technological changes that allow information to be disseminated and absorbed rapidly by the market. The CSA is particularly interested in the implications such changes could have for investor protection, prospectus usage, market efficiency and capital raising.

As part of this review, the CSA is also considering a new prospectus exemption for distributions to large institutional investors. The proposed “Qualified Institutional Purchaser” (QIP) exemption would allow eligible Canadian-listed reporting issuers to sell securities through registered dealers to specified institutional investors without a hold period, provided a series of eligibility, disclosure and resale conditions are satisfied. The CSA believes this could expand access to capital, improve participation by Canadian institutional investors and reduce competitive disadvantages that may arise when foreign investors can acquire comparable securities without resale restrictions. Feedback is sought on the scope of eligible issuers and investors, the role of dealers, appropriate safeguards against indirect distributions and whether the exemption would meaningfully improve capital formation.

Material Change Reporting: Alternatives to the Prescribed Filing and Form

The CSA is also evaluating whether the current material change reporting regime continues to serve its intended purpose. It notes that, in practice, material change reports often duplicate information already disclosed through news releases and that the separate filing requirement may create unnecessary compliance burdens. One option under consideration would allow issuers to satisfy the requirement through an enhanced news release that contains all prescribed information and is clearly identified as disclosing a material change. The CSA is also considering whether additional certainty should be provided regarding events that automatically constitute material changes, potentially drawing on aspects of the U.S. Form 8-K reporting framework. Feedback is sought on whether these changes would reduce duplication without impairing transparency, market signaling or investor protection.

Developments in the United States: Considering Whether Canadian Rules Should Respond to SEC Modernization Initiatives

Finally, the CSA is seeking input on how recent developments in the United States should influence Canadian regulatory policy. In particular, it highlights recent SEC initiatives relating to semi-annual reporting, disclosure modernization, shelf registration reform and expanded scaled-disclosure accommodations. The CSA is interested in whether similar reforms could enhance the competitiveness of Canadian capital markets, including whether voluntary semi-annual reporting should be expanded beyond the recently introduced pilot for certain venture issuers and what consequences such changes could have for transparency, reporting costs and investor confidence.

Why This Matters

The proposals under consideration could affect day-to-day compliance, disclosure strategy, financing execution and investor communications for Canadian public companies. They may also influence the competitive position of Canadian capital markets relative to the United States and other jurisdictions. Market participants who may be affected should consider engaging now, while the CSA is actively seeking practical feedback.

Have Your Say

These proposals could have meaningful implications for Canadian reporting issuers, investors and other market participants, including with respect to disclosure obligations, financing flexibility, resale restrictions, reporting costs and investor protection. Because the CSA is actively seeking practical market input, this is an important opportunity for affected stakeholders to help shape the regulatory framework before any rule changes are proposed. Cassels is looking to gather client feedback on the potential impact of the proposals to help inform submissions to the CSA. We encourage issuers, investors, dealers and other market participants to click below for further details and to participate in the consultation process.

PARTICIPATE IN THE CASSELS CONSULTATION

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