



British Columbia
Securities Commission

IIROC FAS Conference

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CSA Policy Initiatives Update



Review of Registrant – Client Relationship Issues

- **CSA discussion of best interest standard continues**
- **Staff identifying problems with registrant – client relationships:**
 - Review of over 100 source documents
 - Interviewed experts on registrant – client relationship

Measuring CRM2 and Point of Sale

- **BC Leading project proposal to measure investor benefits from CRM2 and point-of-sale initiatives**
- **Desired outcomes for investors, advising representatives, and firms**
- **Plan and research methodology being developed**

- **2012 CSA paper identified potential investor protection and fairness issues**
- **Independent research retained regarding feedback on CSA paper**
 - Brondesbury Group research published June 2015
 - Douglas J. Cumming Research to be published September 2015

Exempt Distribution Harmonization Project

- **BC has unique exempt distribution report**
 - Facilitates making investor information public
 - Tied to unique electronic filing system and risk models
- **CSA heard call to harmonize**
- **One national, more structured form by mid-2016**
- **New national filing system by 2018-19**

BC Capital Markets Update

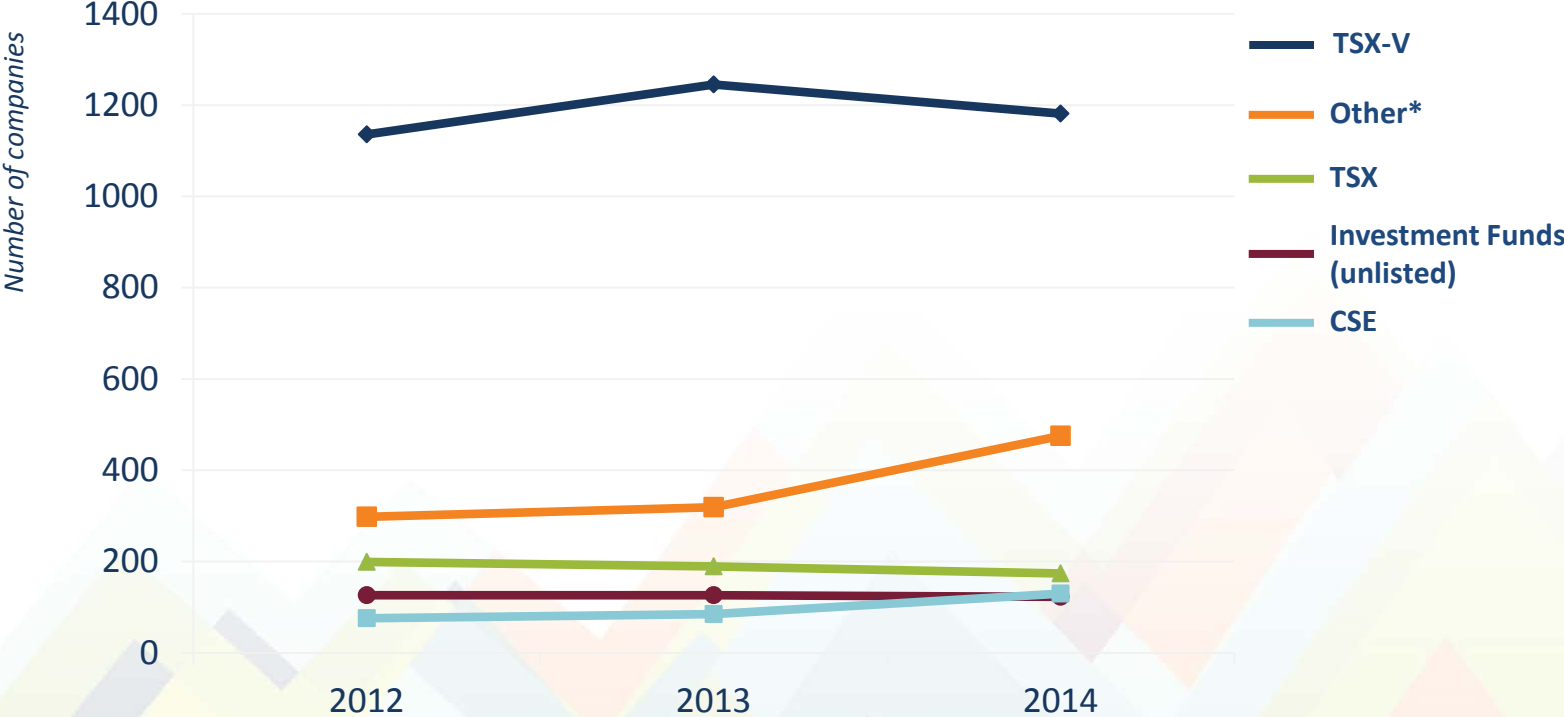


Overview of Amounts Raised*



**Includes amounts raised by BC companies in BC and elsewhere and by non-BC companies in BC private placement market*

Number of Public Companies and Funds Based in BC



**Active public companies including those listed on other markets (OTCBB, Pink Sheets) as well as unlisted companies.*

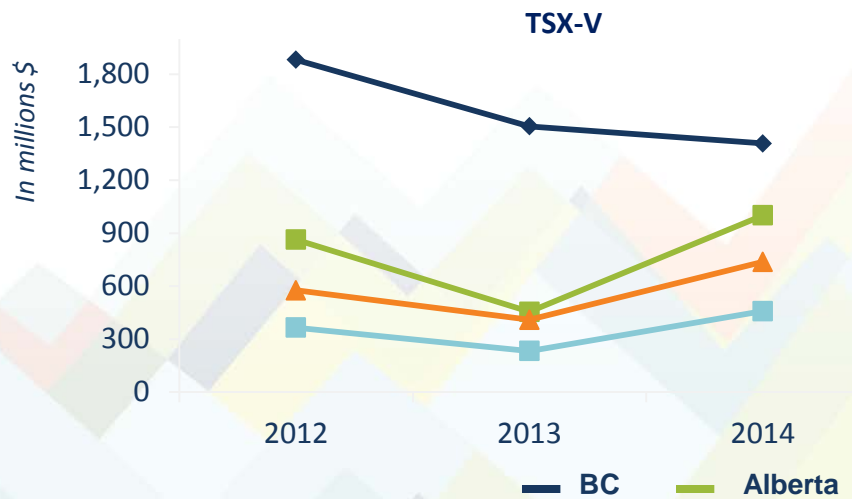
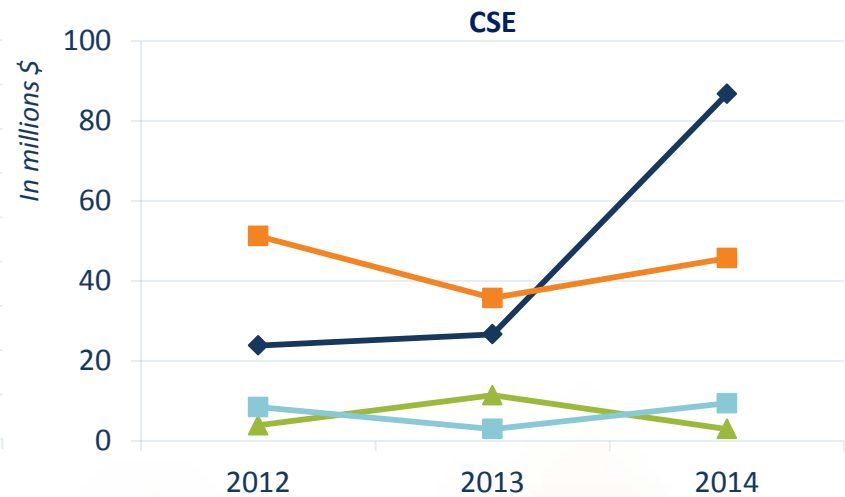
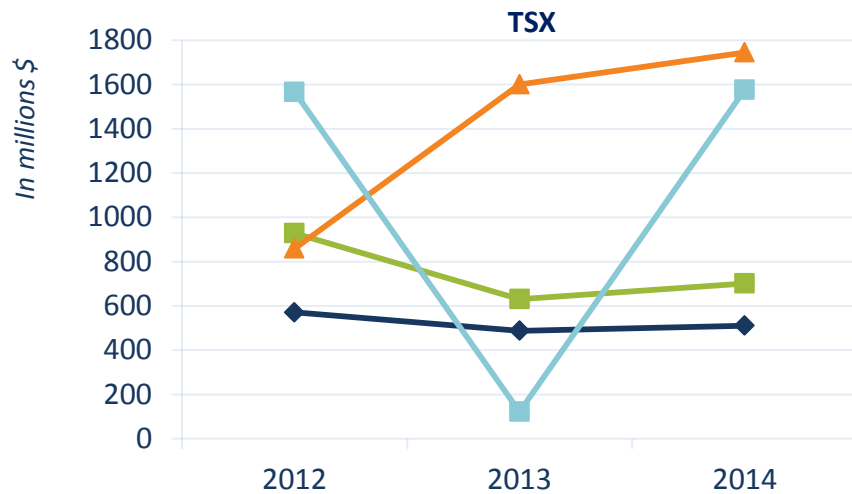
Distribution of Canadian Listed Companies by Province



BC's Place in the Private Placement Market

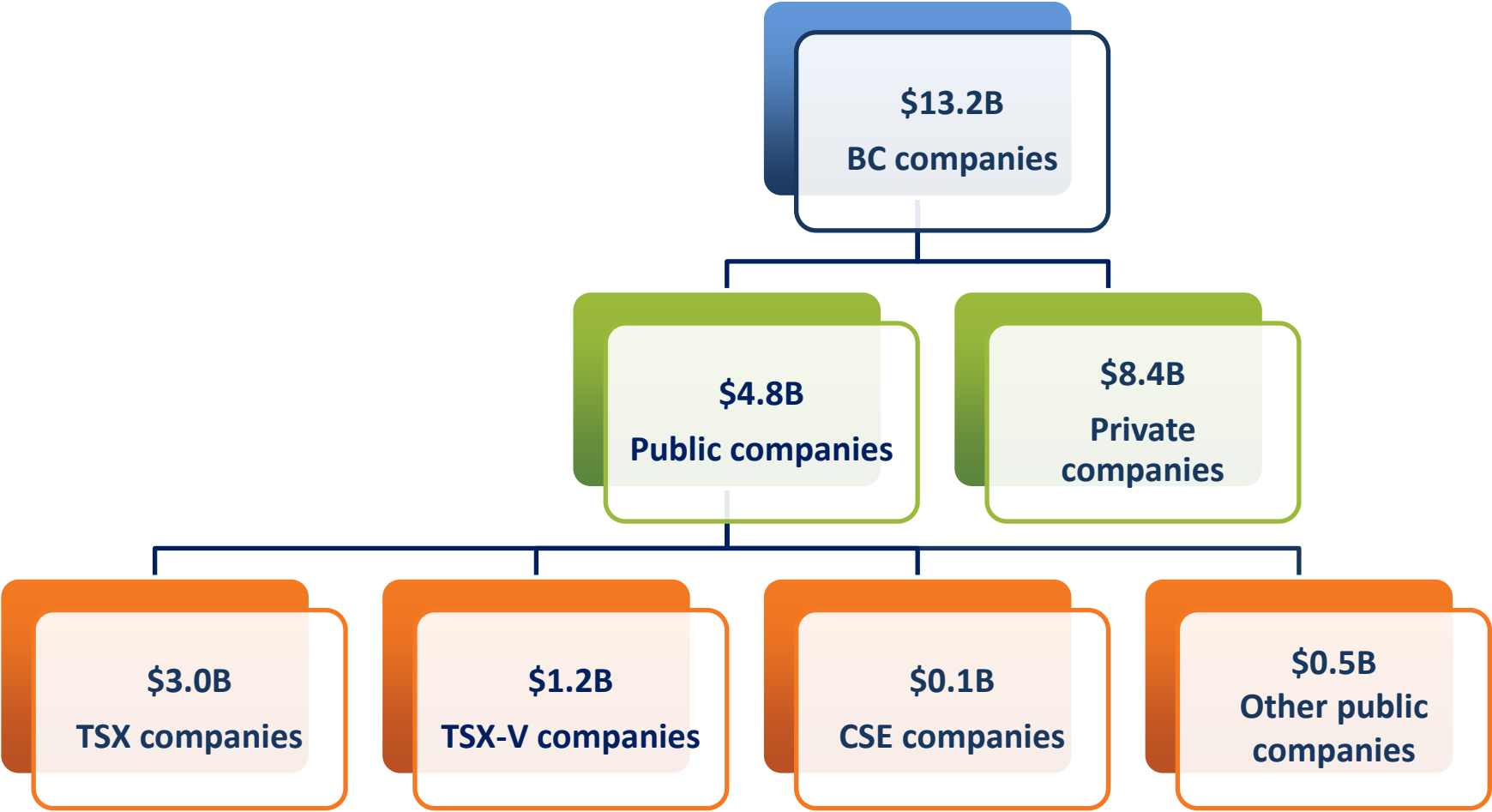


Amount Raised by TSX, TSX-V, and CSE Companies in Private Placement Market by Province*

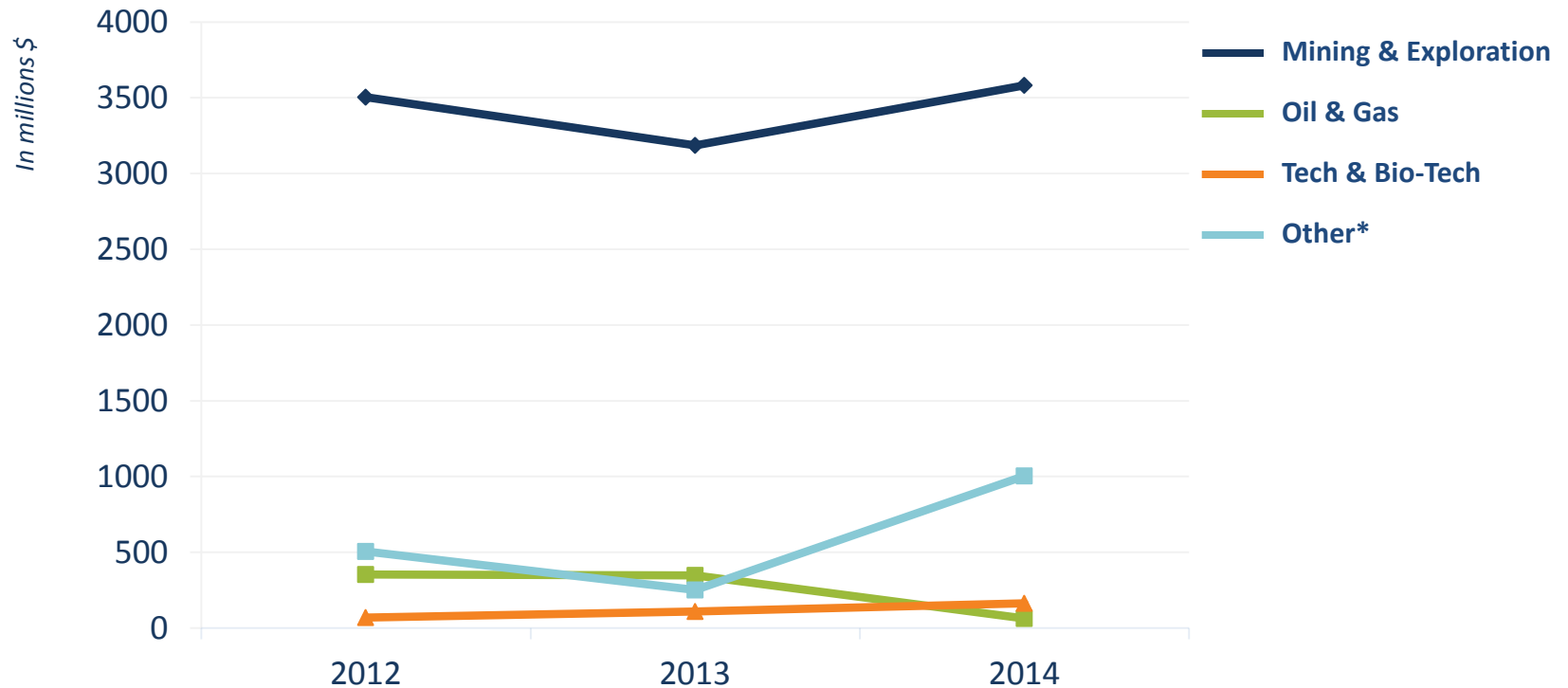


*Includes private equity financings, and convertible or other offerings, that are reported to the exchanges

Overview of Amount BC Private Companies Raised in Placement Market in 2014 in BC and Elsewhere

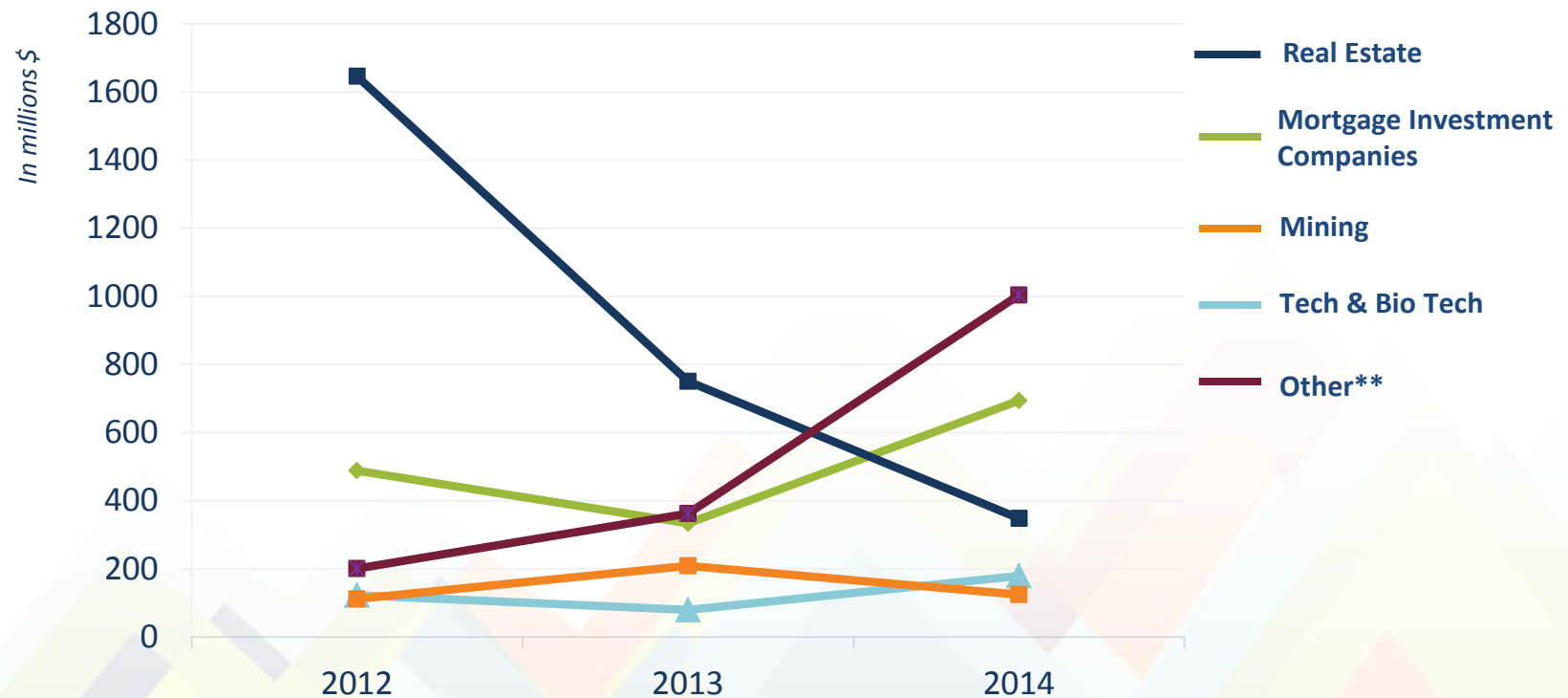


Amount Raised by BC Public Companies in Private Placement Market by Industry in BC and Elsewhere



**Includes investments, finance, real estate, transportation, utilities, etc.*

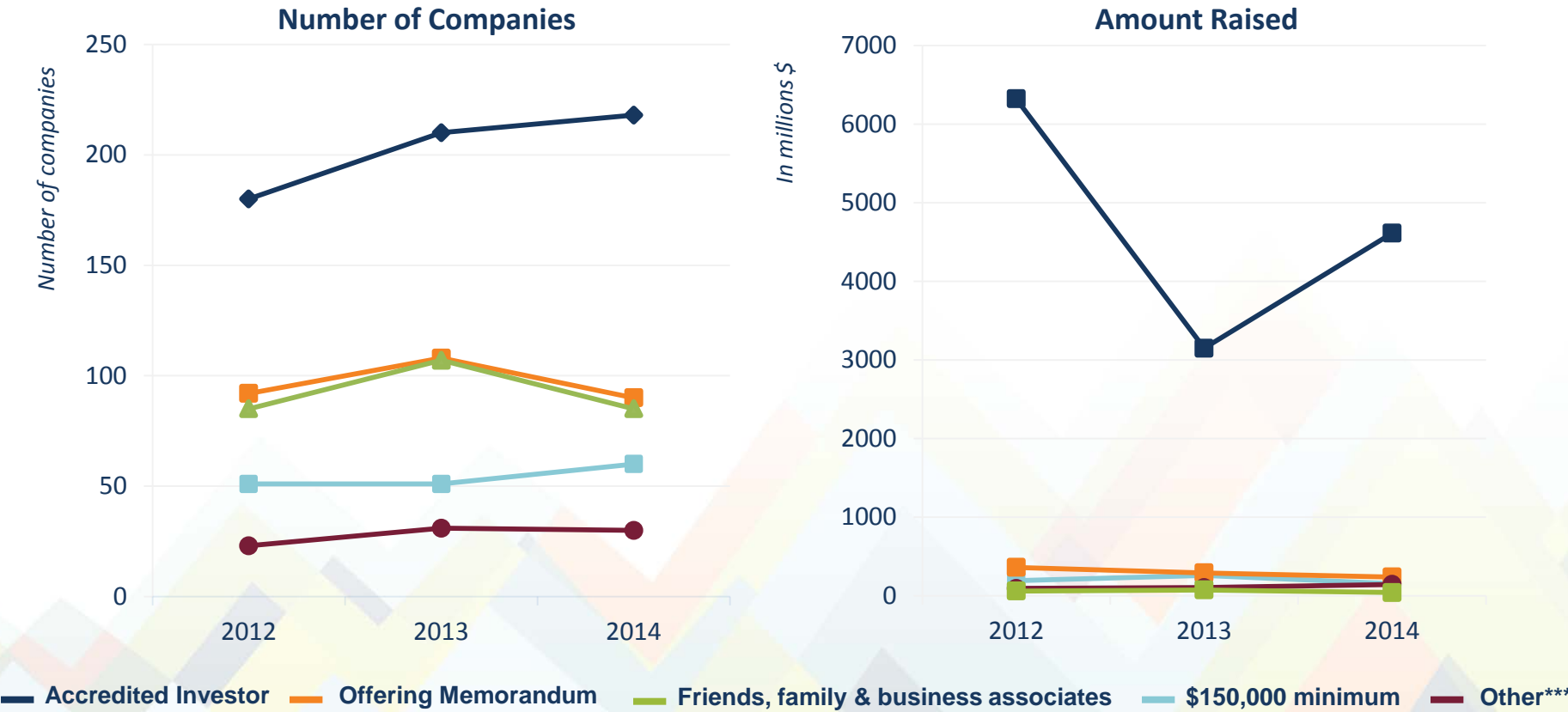
Amount Raised by BC Other Private Businesses* in Private Placement Market by Industry in BC and Elsewhere



*Private companies that exclude investment companies and funds

**Includes paper & forest products, junior industry, oil & gas, etc.

Number of BC Private Companies* Raising Money and Amount Raised in BC Private Placement Market** by Exemption



*Include large investment funds and other private funds based in BC
 **Includes only money raised in BC under BC exemptions
 ***Includes asset acquisition, shares for debt, and distribution of securities outside BC

Existing Security Holder Exemption

- Published for comment in November 2013 and adopted March 2014
- Overwhelming support from industry
- Provides issuers with an additional source of capital

Crowdfunding Exemption

- Published for comment in March 2014 and adopted May 2015
- Exemption that allows start-ups and early stage companies to raise capital
- Conditions in place for investor protection

Changes to Rights Offering Regime

- Significant changes to rights offering regime published in November 2014
- To be adopted in December 2015
- One of the fairest ways to raise capital as participation is pro rata
- Changes will reduce time and cost of rights offerings

Proposed Investment Dealer Exemption

- Proposed exemption published for comment in April 2015
- Would allow issuers to raise money from investors who have obtained suitability advice from an investment dealer
- Suitability advice key to investor protection

BC Use of Predictive Analytics in Managing Regulatory Risk



BCSC Use of Predictive Analytics in Managing Regulatory Risk

- **5,000 filings a year from private companies**
- **Rules limit who can invest: are issuers following them**
- **Offering memorandums: are they compliant**
- **Old process had staff looking at limited data**

We wanted a way to better target which companies we would review for compliance

BCSC Use of Predictive Analytics in Managing Regulatory Risk

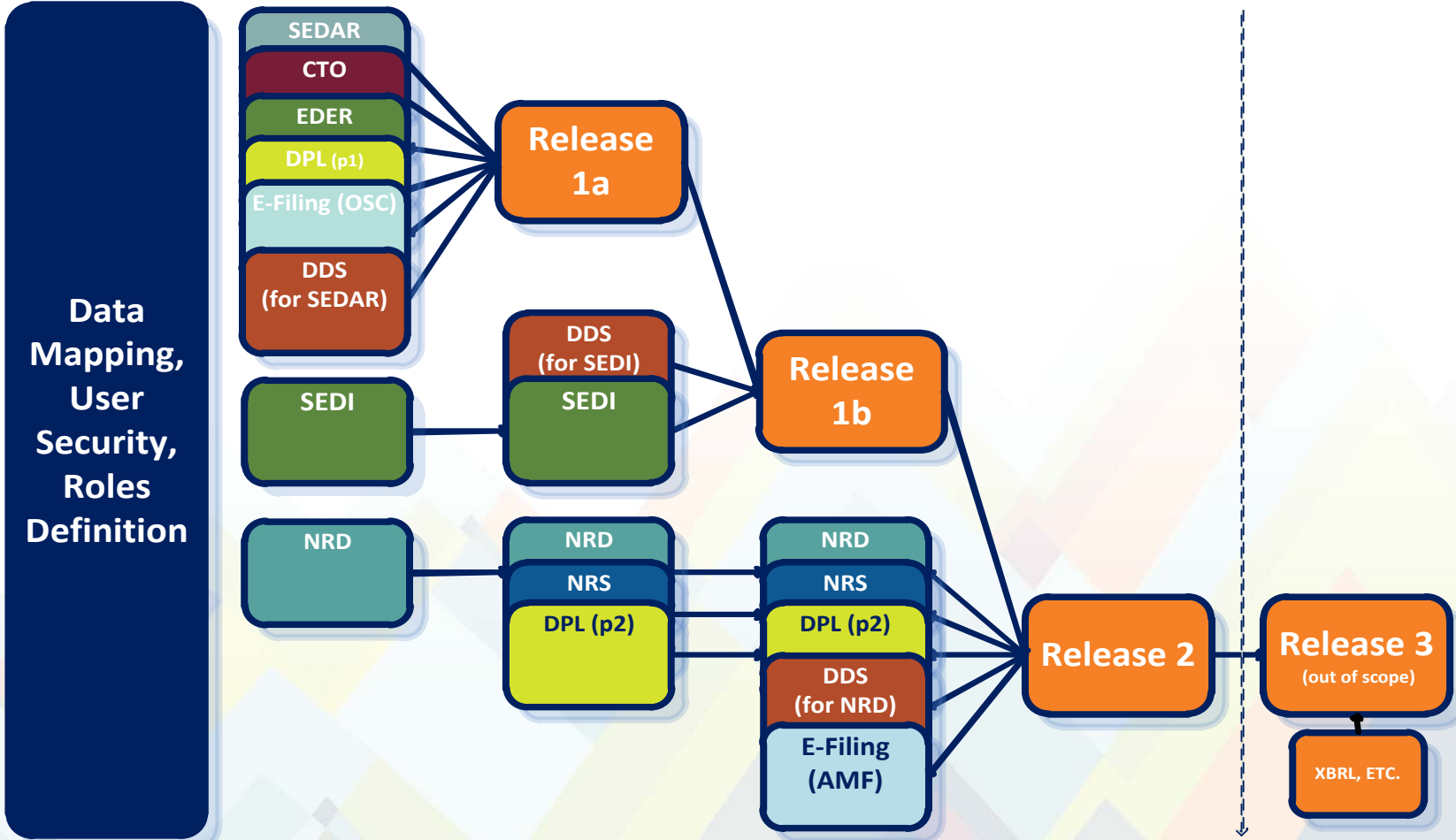
<p>Amount invested of # investors</p> <p>6 risk indicators i.e.: Total capital raised over \$1M in last year</p>	<p>Use of specific exemptions</p> <p>11 risk indicators i.e.: Over 50 friends and family investors in last year</p>	<p>Issuer history</p> <p>5 risk indicators i.e. CTO issued in past</p>
<p>Director & officer history</p> <p>5 risk indicators i.e. Past cases in ECM</p>	<p>Finder history</p> <p>7 risk indicators i.e. Past cases in ECM</p>	<p>Investor demographics</p> <p>4 risk indicators i.e. Significant number of purchasers on filing from small communities</p>

National Filing Systems Rebuild Project



National Filing Systems Rebuild Project

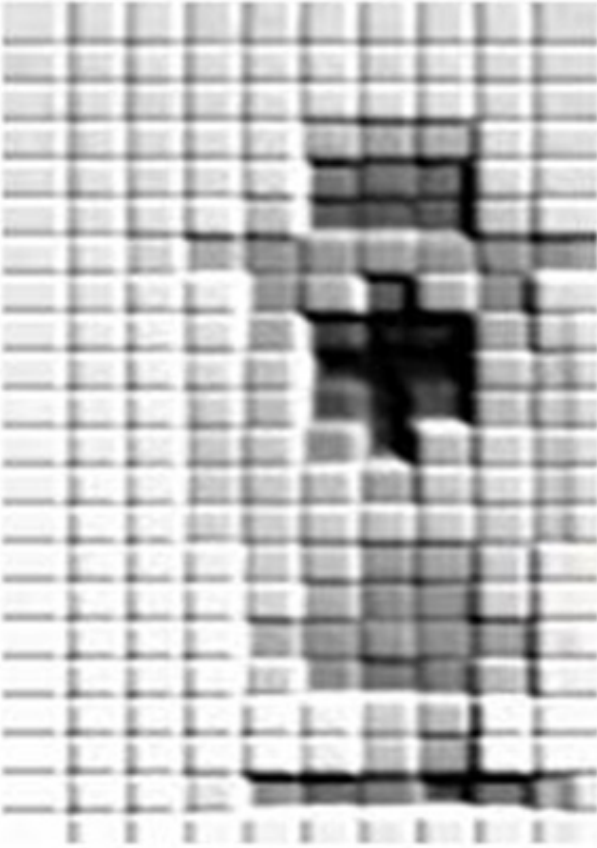
Core Systems Redesign



National Filing Systems Rebuild Project

Core Systems Redesign

'As Is'



'To Be'



Cooperative Capital Markets Regulatory System Update



Cooperative System Update

Milestones	
September 19, 2013	Governments of BC, Ontario and Canada agree to establish CCMR
July 9, 2014	Saskatchewan and New Brunswick join CCMR
September 8, 2014	MOA formalizing terms of CCMR
September 8, 2014	Draft uniform PCMS and complementary federal CMSA published for comment
October 9, 2014	PEI joins CCMR
December 19, 2014	Comment letters posted
April 16, 2015	Yukon joins CCMR
April 16, 2015	Nominating Committee for Board Candidates announces – Neil de Gelder, Q.C. (BC)
July 24, 2015	Interim Board Chair, Bill Black, announced
August 25, 2015	Revised consultation draft CMA and draft initial provincial/territorial regulations published

What's to Come

- **Remaining Board Members to be appointed**
- **CMA and Regulations**
 - **Capital Raising Exemptions**
 - **Fees**
 - **CMRA/CSA interface**
- **CMSA to be published for comment**
- **Capital Markets Regulatory Authority (CMRAQ) Act and Provincial Implementation legislation**
- **Launch – fall 2016**

Questions?

