

CSA Notice 51-340**Update on proposed National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers***

July 25, 2013

We, the Canadian Securities Administrators (CSA), initiated a project examining the venture market with the goal of creating a distinct regime that would be tailored to and benefit both venture issuers and venture investors and that would reinforce governance standards through substantive obligations, certification and disclosure. In May 2010, we published CSA Multilateral Consultation Paper 51-403 *Tailoring Venture Issuer Regulation* and conducted in-person consultations across the country exploring the feasibility of, and support for, this endeavour. Feedback from the consultation paper and in-person consultations was generally very positive.

Based on this feedback, we published proposed National Instrument 51-103 *Ongoing Governance and Disclosure Requirements for Venture Issuers* (NI 51-103) and other rule amendments for two separate comment periods. The proposals addressed continuous disclosure and governance obligations as well as disclosure for prospectus offerings and certain exempt offerings that require prescribed disclosure.

Some commenters on our first publication (July 2011) had concerns about certain aspects of the proposals, including the proposal to allow venture issuers to choose whether to file first and third quarter financial reports and associated MD&A (interim reporting). The general feedback from a majority of the commenters was that the proposed changes would be worthwhile even without the option with respect to the first and third quarter interim reporting. In the second publication of proposed NI 51-103 (September 2012) we introduced changes to our proposals to accommodate concerns expressed by various constituents including the removal of the proposal to eliminate the requirement for first and third quarter interim reporting. We proposed quarterly financial reporting but with quarterly highlights instead of MD&A.

The changes in our September 2012 publication reduced the distinction between proposed NI 51-103 and the current regime. Although commenters expressed some support, the overall level of support was lower, with more commenters expressing concerns about specific aspects of the proposals. A common theme was the burden that the proposal would place on venture issuers, both in terms of transition to a new regime, and with respect to some of the new disclosure obligations proposed (e.g., a mandatory annual report).

After reviewing the comments received and further consideration, we have determined not to pursue the implementation of proposed NI 51-103. However, we are currently considering implementing some of the proposals within proposed NI 51-103 as amendments within the existing regulatory regime for venture issuers. Any resulting proposed amendments will be published for comment, as necessary.

If you have questions about this notice, please direct them to:

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