

Multilateral CSA Notice of Implementation *Alberta and Saskatchewan Orders 45-538 Self-Certified Investor Prospectus Exemption*

March 31, 2021

Introduction

The securities regulatory authorities in Alberta (ASC) and Saskatchewan (FCAA) (together, **the participating jurisdictions** or **we**) have each adopted a prospectus exemption (**Exemption**) entitled *Self-Certified Investor Prospectus Exemption* that allows issuers in the participating jurisdictions to distribute securities to "self-certified investors" in the participating jurisdictions. The Exemptions are provided under:

- ASC [Blanket Order 45-538 Self-Certified Investor Prospectus Exemption](#);
- FCAA [General Order 45-538 Self-Certified Investor Prospectus Exemption](#).

The Exemption is available effective as of the date of this Notice.

Substance and Purpose

The Exemption provides, on an interim, three-year basis, a new prospectus exemption to further facilitate the capital raising efforts of businesses in the participating jurisdictions. It is intended to allow purchasers in the participating jurisdictions who do not meet the financial thresholds or other criteria required to qualify as an accredited investor¹ to invest alongside accredited investors provided that they meet other criteria intended to demonstrate the purchaser's financial and investment knowledge.

Except in the case of investments in certain listed issuers, where the investor has received suitability advice from a registered dealer or other registrant, certain investment limits apply.

Consistent with the approach taken with accredited investors, we have not specified a particular form of offering document but instead a requirement that there be a concurrent distribution to an accredited investor and that the self-certified investor be provided with the same information as is provided to an accredited investor in such concurrent distribution.

¹ The term "accredited investor" is defined in National Instrument 45-106 *Prospectus Exemptions* and includes various specified institutions and wealthy individuals. In the case of individuals, the definition contemplates annual net income in excess of \$200,000, net assets of at least \$5,000,000 or net realizable financial assets of at least \$1,000,000.

One of the goals of the Exemption is to help facilitate the growth of the angel investor² ecosystem and the financing of early stage businesses in emerging industries. However, the Exemption may also be of interest to listed issuers, further facilitating their capital raising efforts by private placement.

Summary of the Exemption

The Exemption provides issuers in the participating jurisdictions an additional prospectus exemption to facilitate distributions to purchasers in the participating jurisdictions on the conditions described below:

1. Unless the distribution is a "Listed Issuer Investment" (defined below),
 - (a) the aggregate acquisition cost of the securities of the issuer acquired by the purchaser under the Exemption in the calendar year, does not exceed \$10,000, and
 - (b) the purchaser represents to the issuer in the subscription agreement that, after giving effect to the distribution, the aggregate acquisition cost of the securities of all issuers acquired in the calendar year by the purchaser under the Exemption does not exceed \$30,000 (other than Listed Issuer Investments).
2. There must be a concurrent distribution to an accredited investor and the purchaser must be provided access to substantially the same information about the issuer as is provided to an accredited investor in such concurrent offering.
3. The issuer must obtain from the purchaser
 - (a) a statutory declaration substantially in the form specified in Annex 1 to the Exemption (**Statutory Declaration**), dated within 36 months of the distribution, to which is attached
 - (b) a completed self-certified investor acknowledgement (**Acknowledgement**) substantially in the form specified in Annex 2 to the Exemption, including
 - (i) a completed Part A confirming that the purchaser meets the self-certified investor Qualifying Criteria (defined below), and
 - (ii) a completed Part B confirming that the purchaser has read and understood each of the acknowledgements in that part.

² Angel investors are typically high net worth or net income individuals that would qualify as "accredited investors". They will often invest in early stage businesses that are not yet at the stage of development to attract venture capital investment. They may invest individually or invest together with other angel investors through special purpose vehicles, e.g., corporations or limited partnerships, created to invest in a single business.

The self-certified investor Qualifying Criteria are set out in Schedule A to Annex 2. In summary, they reference an individual that meets any of the following:

- (a) holds a CFA Charter from the CFA Institute,
- (b) holds a CIM designation from the Canadian Securities Institute (CSI),
- (c) holds a CBV designation from the CBV Institute,
- (d) holds a CPA designation in a jurisdiction of Canada from CPA Canada,
- (e) holds a CIWM designation from the CSI,
- (f) was admitted to practice law in a jurisdiction of Canada and at least 1/3 of the purchaser's practice has involved providing advice respecting financings involving public or private distributions of securities or mergers and acquisitions,
- (g) holds an MBA with a focus on finance from a Canadian university or an accredited foreign university,
- (h) holds an undergraduate degree in finance or an undergraduate degree in commerce or business with a major or specialization in finance or investment and that degree is from a Canadian university or an accredited foreign university, or
- (i) has passed the Canadian Securities Course (or both the Series 7 Exam from the Financial Industry Regulatory Authority in the U.S. and the New Entrants Exam from the CSI) and meets certain minimum income requirements i.e., \$75,000 net income for the last 2 years and reasonably expects at least the same in the current year (or \$125,000 when combined with a spouse)

(the **Qualifying Criteria**).

4. In the case of a purchaser that is not an individual, Part A of the Acknowledgement requires that at least one of the following apply:
 - (a) the majority of owners of interests of the purchaser, direct, indirect or beneficial, except the voting securities required by law to be owned by directors, are accredited investors or meet the Qualifying Criteria;
 - (b) the majority of directors of the purchaser are accredited investors or meet the Qualifying Criteria, or
 - (c) the purchaser is a trust, established or settled by an individual that meets the Qualifying Criteria, which trust was established for the benefit of that individual's spouse, former spouse, or a parent, grandparent, brother, sister, child or grandchild of the individual or that individual's spouse or former spouse.

5. Recognizing that a self-certified investor will not have the income or assets of an accredited investor, to address an investor's ability to withstand loss, the Exemption includes investment limits. However, those provisions do not apply to a "Listed Issuer Investment". A "Listed Issuer Investment" refers to a distribution where both of the following conditions exist:

(a) the issuer conducting the distribution

- has a class of equity security currently listed and posted for trading on the TSX Venture Exchange, the Toronto Stock Exchange, the Canadian Securities Exchange or Neo Exchange Inc., and
- is not in default of the periodic and timely disclosure requirements applicable to it as a reporting issuer; and

(b) the purchaser has received advice regarding the suitability³ of the investment from a person or company, registered under securities legislation in the jurisdiction of the purchaser, that is qualified in the circumstances to provide such advice.

Guidance on using the Exemption

(a) Statutory Declaration and Acknowledgement

We expect the issuer to obtain a fully completed Statutory Declaration and a completed Acknowledgement from each self-certified investor but we do not generally expect the issuer or the notary public or commissioner for oaths who signs the statutory declaration to take steps to independently confirm the statements in the Acknowledgement.

If a registered dealer is involved in the distribution, the dealer will need to comply with its obligations, including respecting know-your-client, know-your-product and suitability. However, we do not generally intend for the registered dealer to need to take any additional steps beyond those obligations to confirm the statements made by a self-certified investor in the Acknowledgement.

³ Under securities legislation, before a registered dealer accepts an order or recommends to a client the purchase, sale, exchange or holding of a security, it must ensure that the action is suitable for the client. To provide advice about the suitability of an investment, the dealer must comply with its know-your-client and know-your-product obligations under securities legislation.

The know-your-client obligation requires the dealer to accurately determine, among other things, the investor's

- current financial situation
- investment knowledge,
- investment objectives and time horizon,
- risk tolerance, and
- investment portfolio composition and risk level.

The know-your-product obligation requires the dealer to understand the structure and features and assess the risks of the product.

A suitability determination entails ensuring that the product is suitable for the client using the results of the know-your-client and know-your-product processes.

The Statutory Declaration, having the same force and effect as an oath made under the *Canada Evidence Act* (Canada) is intended to be sufficient evidence that:

- the purchaser meets the self-certified investor Qualifying Criteria; and
- the purchaser has actually read and understood the stated investment risks and considerations and signed of their own volition.

As an anti-avoidance measure, we have specified that the Exemption would not be available if the issuer knows or would reasonably be expected to know that the Statutory Declaration is false.

(b) Purchaser's representations

Except for a Listed Issuer Investment, we expect each issuer to obtain from each purchaser a representation in the subscription agreement that the aggregate acquisition cost of the securities of all issuers acquired in the calendar year by the purchaser under the Exemption (other than Listed Issuer Investments) does not exceed \$30,000.

Provided that the issuer does not know or would not reasonably be expected to know that that representation is false, we do not expect that the issuer would need to take additional steps to independently verify the amount a purchaser has invested in other issuers.

(c) Listed Issuer Investments – required suitability advice

An issuer that intends to treat a distribution as a Listed Issuer Investment will want to take steps to confirm that suitability advice has been obtained by each self-certified investor. We have not prescribed what steps the issuer must take. Some of the different ways that an issuer may be able to satisfy itself that this condition has been met include:

- have the investor represent in the subscription agreement that the investor received suitability advice. To satisfy its obligation, the issuer will want this representation to be informed and for it to be brought to the attention of, and confirmed by, the investor. A representation that the investor needs to initial or that is proximate to the signature block of the agreement is more likely to be noticed by the investor than one found in the middle of the subscription agreement;
- ask the investor to specifically identify in the subscription agreement the name of the registrant that provided the suitability advice. If the issuer has concerns that the investor does not understand what suitability advice is or whether the investor received the advice from a registrant, the issuer would then be able to independently verify with the registrant; or
- for brokered private placements, obtain a representation from the registered dealer that all investors have received suitability advice.

If an issuer that intends to treat a distribution as a Listed Issuer Investment has any reason to believe that an investor has not received suitability advice from a registrant, the issuer should not accept the subscription.

(d) Listed Issuer Investments - not in default

In order to constitute a Listed Issuer Investment that is not subject to the investment limits, the issuer must be listed on one of the stock exchanges in Canada specified in the Exemption. In addition, the issuer cannot be, at the time of the distribution, in default in the filing of its continuous disclosure documents.

(e) No registration exemption

The Exemption is only an exemption from the prospectus requirement. It does not provide an exemption from the registration requirement.⁴

(f) Obligations of registered dealers

If a registered dealer or other registrant is involved with the distribution of securities under the Exemption, the registrant's typical obligations and responsibilities e.g., relating to know-your-client, know-your-product, suitability, and conflicts of interest will continue to apply.

In the case of an issuer that wishes to treat a distribution as a Listed Issuer Investment, it will be necessary for a registrant to provide suitability advice to each self-certified investor. The suitability advice must be from a registrant qualified to provide suitability advice in the circumstances.

(g) Sales to self-certified investors by private issuers

To maintain its status, a private issuer must meet certain conditions, including having not more than 50 security holders (not including non-convertible debt or securities held by current or former employees) and can only distribute its securities to the list of permitted investors specified in subsection 2.4(2) of National Instrument 45-106 *Prospectus Exemptions*. That list includes parties such as close personal friends and family of the principals of the private issuer, accredited investors, and persons or companies that are "not the public".

Our goal is for a self-certified investor to generally be treated in a manner similar to an accredited investor. Assuming they meet the other conditions of the private issuer exemption, private issuers are permitted to distribute securities to accredited investors without affecting their status as a private issuer. Similarly, we intend that a private issuer could distribute securities to a self-certified investor without losing its status as a private issuer.

A private issuer that sells securities to anyone that is not on the prescribed list of permitted investors would lose its private issuer status. We understand that maintaining private issuer status is of significant importance to early stage issuers.

⁴ For distributions in Alberta only, see proposed ASC Blanket Order 31-536 *Small Business Finder's Exemption*.

We also understand that while angel investors/accredited investors may invest directly into a private issuer, they may also invest together as a syndicate, forming a limited partnership or other special purpose vehicle (**SPV**) to invest into a single early stage business. This SPV also requires an exemption to invest in the early stage business and, if it is comprised of persons who are not accredited investors, may not be able to invest as an accredited investor.

In order to allow self-certified investors to invest in private issuers alongside accredited investors, whether directly or through an SPV, without impairing the issuer's private issuer status, and having regard to the investment and/or financial knowledge required to qualify as a self-certified investor and the information required to be made available to a self-certified investor, the participating jurisdictions would not object to either of the following:

- a self-certified investor being considered "not the public", such that an investment by a self-certified investor would not by itself prevent the issuer from otherwise being considered a "private issuer";
- an SPV investing in a private issuer being considered "not the public" provided that
 - all of the owners of interests of the SPV, direct, indirect or beneficial, except the voting securities required by law to be owned by directors, are persons or companies that are accredited investors or to whom securities were distributed under this Exemption (or a corresponding exemption in another jurisdiction), and
 - not more than 25% of the funds contributed to the SPV are contributed by purchasers relying on the Exemption (or a corresponding exemption in another jurisdiction).

Under subclause 2.4(2)(b)(ii) of National Instrument 45-106 *Prospectus Exemptions*, absent any discretionary exemptive relief, if an SPV is created solely to purchase or hold securities of a private issuer, then each beneficial owner or beneficiary would be required to be separately counted towards the 50 security holder limit. We note that this could limit the number of investors (whether self-certified investors or otherwise) that are able to participate in an SPV.

(h) Reports of exempt distribution

Except in the case of a private issuer, an issuer relying on the Exemption will be required to file a Form 45-106F1 *Report of Exempt Distribution*, together with the accompanying fee, within 10 days of the distribution.

Comments received and changes made

We published the proposed Exemption for comment on November 20, 2020 under CSA Multilateral Notice and Request for Comment 45-327 *Proposed Prospectus Exemption for Self-Certified Investors*. A total of 39 comment letters were received during the comment period.

Those comments and our responses to them are summarized in **Schedule A** to this Notice.

We thank all of the commenters for their input. In response to the comments we have made a number of changes to the Exemption from the version published for comment, the most material of which are summarized below:

1. We have expanded the list of designations and educational criteria that can qualify a purchaser as a self-certified investor to include the CIM, CBV and CIWM designations. In addition to an undergraduate degree in Finance, we have included an undergraduate degree in Commerce or Business with a major or specialization in Finance or investing. We have also included a person who has passed the Canadian Securities Course (or the U.S. equivalent) provided that the purchaser also has certain minimum specified income. In addition, we have specified an experience requirement for a lawyer.
2. We have removed the investment limits in the case of Listed Issuer Investments, i.e., those by issuers listed on certain stock exchanges in Canada that are not in default of their timely and periodic disclosure obligations as reporting issuers, provided that the purchaser has received suitability advice respecting the investment from a registrant qualified to provide that advice. This is generally consistent with the approach we have previously taken under the "investment dealer exemption"⁵. This change recognizes that in addition to any information provided in connection with the financing, purchasers will also have access to the continuous disclosure provided by the issuer. It also recognizes the additional investor protection provided through the suitability assessment conducted by a registrant.
3. We recognize that many small businesses that may be interested in relying on this exemption for their early stage financings may be private issuers. We have provided guidance in this Notice on the distribution of securities by private issuers to self-certified investors and SPVs comprised in part of self-certified investors.

Saskatchewan - Designated offering memorandum

In Saskatchewan, any document that provides information about the business or affairs of an issuer that has been prepared primarily for delivery to and review by a prospective purchaser to assist the prospective purchaser in making an investment decision about securities being sold in a distribution under the Exemption, including all amendments to that document, is designated to be an offering memorandum under securities legislation in Saskatchewan, unless that document is an annual report, interim report, information circular, take-over bid circular, issuer bid circular or prospectus. This means there will be in Saskatchewan statutory rights of action for any misrepresentation in any offering document. Any offering memorandum provided will need to be filed with the FCAA.

⁵ See Multilateral CSA Notice 45-318 *Prospectus Exemption for Certain Distributions through an Investment Dealer* <https://www.albertasecurities.com>

Questions

If you have any questions in respect of the Exemption, please contact any of the following:

Denise Weeres Director, New Economy, ASC 403.297.2930 denise.weeres@asc.ca	Heather Kuchuran Director, Corporate Finance, Securities Division, FCAA 306.787.1009 heather.kuchuran@gov.sk.ca
Cathy Tearoe Senior Legal & Policy Counsel New Economy, ASC 403.355.9027 cathy.tearoe@asc.ca	Mikale White Securities Division, Legal Counsel, FCAA 306.798.3381 mikale.white@gov.sk.ca

Schedule A

Summary of Comments: CSA Multilateral Staff Notice 45-327 *Proposed Prospectus Exemption for Self-Certified Investors*

We received 39 comment letters during the comment period. Full comments are available here: <https://www.albertasecurities.com>

Set out below is a summary of the comments received and responses.

Theme	Comments	Staff Responses
General support /opposition	<p>All commenters supported an exemption based on education or experience. Many commenters supported development of a specialized course. A number expressed that investment education was preferable to an income or asset test. A few questioned whether the exemption would have significant impact because of the limits and conditions.</p>	N/A
Support for national initiative	<p>Many commenters encouraged national harmonization. Two commenters added that the new exemption should be included as an amendment to the accredited investor definition.</p>	<p>Following implementation of the Exemption, we propose to take steps to pursue a national harmonized exemption.</p>
\$ limits for investors	<p>Twenty of the 39 commenters specifically supported the limits or expressed general support without commenting on the limits.</p> <p>However, a significant number of commenters thought the limits were too low. In particular, recommendations included:</p> <ul style="list-style-type: none"> • Consider a 4-year cumulative total to allow carry-forward. • Limits should be based on risk. No limits if investor sophisticated. No limit if suitability assessment. If limits included should be greater of \$ limit and percent of net assets. • Should allow \$100K/investment and no annual maximum Limits should be a 	<p>Given the risks associated with early-stage private equity investment and having regard to the Exemption being a pilot test, we propose to generally retain the limits.</p> <p>However, in the case of issuers that are listed on a recognized exchange in Canada where the investor receives suitability advice</p>

Theme	Comments	Staff Responses
	<p>percentage of assets.</p> <ul style="list-style-type: none"> • \$25K/investment/12 mos. and \$100K aggregate/12 mos. • \$25K/investment and \$50K/12 months. • \$50K/investment and proportionate annual increase. • \$50K/investment and \$100K/12 mos. • Limits too low for reporting issuers. • \$25K/investment and \$75K/12 mos. • 10% of income or wealth but ultimately no limits if sufficient knowledge. • No limits. SEC does not have any. No limits if registrant. • Education should be sufficient. If limits \$20K/investment and \$40K/12 mos. No limit if through a dealer. • Limits not necessary if financial knowledge and investment acumen. • Don't need limits with financial knowledge. <p>Two commenters thought the limits were too high.</p> <ul style="list-style-type: none"> • One commenter thought the limits may be too high for some. • One commenter thought the exemption should be limited to reporting issuers as may be too high for some. <p>One commenter suggested that although the limits were reasonable, we should consider a minimum financial threshold e.g., income and assets.</p>	<p>from a registrant, we propose to remove the limits.</p> <p>We note that this is generally consistent with the approach taken under the "investment dealer exemption" (See Multilateral CSA Notice 45-318 <i>Prospectus Exemption for Certain Distributions through an Investment Dealer</i>). Under that prospectus exemption there is no investment limit for an investment in an issuer trading on a specified exchange in Canada where the investor has received suitability advice from an investment dealer.</p>
Investor statement acknowledgement	<p>A number of commenters thought the acknowledgement was quite comprehensive but a few recommended additional acknowledgements. Others recommended a different form or no form. Comments respecting the acknowledgement were as follows:</p> <ul style="list-style-type: none"> • Should be the same as or similar to that for accredited investors. • Extremely comprehensive, perhaps too much information. Should be just a warning that the investor could lose all their money. Statutory declaration too burdensome. • Should add illiquidity risk, tax risk and risks associated with using borrowed funds. • Should sign off they have conducted due diligence. Could include due diligence checklist. 	<p>We have retained the acknowledgement. It is intended not just as a risk warning but as an educational tool.</p> <p>We propose to supplement it with the additional risks identified by commenters but have endeavoured to not make it significantly longer.</p>

Theme	Comments	Staff Responses
	<ul style="list-style-type: none"> • Should add importance of diversification, and acknowledge availability of training and best practices for angel investing. • Statutory declaration every two years is too burdensome. Unlikely to lose educational status. • Prefers the NI 45-110F2. • Does a good job of outlining risks. Replace risk tolerance with risk profile and seller should have to conduct due diligence. Should disclose commissions and conflicts of interest. • Should have specific risk criteria for the business or start-up, similar to Reg A+. • Comprehensive but some people may not understand it. People might not appreciate implications to voting rights, information rights, liquidation preferences and anti-dilution provisions. • Should certify to a specific education program for angel investing. • Very comprehensive. • Too long and unnecessary. Notaries may not be willing to sign. 	
Other financial or investing education	<p>Some commenters thought additional types of financial experience should allow an investor to qualify. In particular, recommendations were made to add the following:</p> <ul style="list-style-type: none"> • CBV, CIM and possibly CFP. • Other courses and designations. • CMC, BComm, LLB and all MBAs. • NACO courses. • BComm, Finance or Accounting, CIM. • Need to greatly expand. At least business degrees and CSC. • Too limiting, consider courses. • Include other criteria. • Investor readiness programs and encourage co-investing and mentorship. • CSC. • Too limiting. • PFP, CFP, CBV, CIM CIMW, FICB, TEP, MTI, FMA, DMS, CLU and early stage investing 	<p>We agree a specified educational course would be optimal and if one is identified an investment limit might not be necessary. We intend to continue to evaluate potential credentials and courses.</p> <p>We have supplemented the list of designations and educational criteria.</p>

Theme	Comments	Staff Responses
	<p>programs offered by The51.</p> <ul style="list-style-type: none"> • At least include BComm. • The CSC is major component of IIROC/CSA registrant proficiency. • Any MBA. • BComm with specialized investment knowledge e.g., Calgary Portfolio Management Trust or the UCeed program. • Comm, MBA, JD especially if emphasis on finance. • Special education program for angel investing. • 10 years of experience in investing in private equity and has invested at least \$50,000 in such financings in last 10 years. • Combination of education and lower financial tests. • CIM, CSC, EMP, Series 7 Exam, New Entrants Course Exam. • CAIA, BComm with finance /accounting work experience. <p>A number of commenters recommended development of a specific course.</p> <p>Two comment letters recommended that we set out the criteria we would use to evaluate courses and designations.</p> <p>One commenter recommended that the investor be in good standing with credentialing institute.</p>	
Concerns with education and experience specified	<p>A few commenters expressed concern that the financial education and experience proposed might not be sufficient. Those comments included the following:</p> <ul style="list-style-type: none"> • Should only allow CFAs. • CPAs and MBAs may not have investment knowledge. • Questions allowing those other than registrants and CFPs and should require ongoing education. Not sure about lawyers. • Should not include lawyers or Finance degree. • For non-CFAs, require financial education and some financial asset threshold. • Lawyer with M&A experience may not be fully aware of private market. 	<p>We have not eliminated any of the educational criteria included in the original list. We acknowledge that educational requirements may not ensure that an investor has comprehensive relevant education; however, we believe, that the risks are mitigated by the combination of</p> <ol style="list-style-type: none"> 1. education;

Theme	Comments	Staff Responses
	<ul style="list-style-type: none"> M&A experience may not understand early stage companies. 	<p>2. investment limits, and 3. the educational content in the investor statement and acknowledgement.</p> <p>We have specified a minimum experience level for lawyers.</p>
Support for non-financial education or experience	<p>A few commenters suggested we include education that was not of a finance or investment nature. Those comments included suggestions that we consider:</p> <ul style="list-style-type: none"> Persons who understand the particular business/industry. Engineering, medicine, dentistry education and work experience. A mentor type relationship with a CFA, CPA or MBA. P.Eng. and P.Geo if relevant to the industry of the issuer. Doctors, dentists, teachers and entrepreneurs. Consider some form of test. 7+ year's business experience and a relevant degree. "Eligible investors" as per the OM exemption. Relevant education in the industry in which they invest. Should include individuals working in an investor role at an institutional venture capital fund. Experience in the industry. Any advanced degree if they meet income/net worth tests. 	<p>We have not added any non-financial or investment education but have broadened the qualifying financial/investment education criteria.</p>
More specificity about lawyer experience / education	<p>As indicated above under "Concerns with education and experience specified" a few commenters expressed concern with including lawyers, particularly based on M&A experience.</p> <p>With respect to the question of whether more specificity was required on the relevant legal experience, only two commenters responded:</p> <ul style="list-style-type: none"> Language may be a barrier to conservative lawyers. Replace "significantly engaged" with "sufficiently experienced". Securities regulators should specify financial knowledge required. Criteria needs to be clear so can be objectively confirmed. Recommend objective criteria e.g., minimum 3 years' experience for lawyers. 	<p>We have added further clarification regarding expected experience specifying that at least 1/3 of the person's practice must have involved providing advice respecting private or public financings or mergers and acquisitions.</p>

Theme	Comments	Staff Responses
	<ul style="list-style-type: none"> • Any lawyer. • No additional guidance required. 	
Private issuer guidance	<p>Comments with respect to allowing self-certified investors to invest in private issuers and participate indirectly through SPVs (with accredited investors) included the following:</p> <ul style="list-style-type: none"> • Allow 50/50 split of AI and self-certified investor. • Should be able to invest in a SPV. • Guidance could disharmonize exemption. May raise other issues. • Encourage investment flow via private issuers. • Ability to use a SPV critical. Allow as long as 60% of members are accredited. • <20% of SPV is self-certified or allow self-certified to rely on an advisory panel that is majority experienced AIs. • Allow investing in an SPV at 50% AI ownership. • Should be allowed in private issuers. • Allow more than 80/20. • Need to allow syndication. 	<p>The Notice announcing implementation of the Exemption includes guidance that we would not object to a self-certified investor being considered not a member of the public.</p> <p>Similarly, it provides guidance respecting the circumstances where an SPV in which self-certified investors participated would not be considered a member of the public.</p>
Private issuer reporting	<p>With respect to the proposal to get reporting of self-certified investor investment into private issuers, commenters responded as follows:</p> <ul style="list-style-type: none"> • Additional filing a deterrent but email ok. • Should be no report for private issuers. • Do not require reporting. • Do not need reporting but should track if that is the basis for being added. • Reporting is a deterrent. • Option proposed seems to work. Simple email. Filings with regulators makes people nervous. 	<p>We have decided not to require additional reporting by private issuers.</p>

Theme	Comments	Staff Responses
Other comments	<p>As drafted, if there is no concurrent AI financing, there is no disclosure requirement.</p> <p>Role of dealers</p> <ul style="list-style-type: none"> - Should be clear that dealers must still perform KYC/Suitability and risk capacity analysis. - It is a departure to not have issuer confirm education/experience. - Not clear whether registrants are able to rely on the exemption. - If non-registered dealer, OBSI can't be involved. - Seller should be trained on identifying vulnerable investors. <p>Helpful to allow small early career investing. Using wealth as the qualification criteria for investing is exclusionary. Many companies try to minimize number of investors which may impact utility of exemption. Should be in French.</p>	<p>We have revised the Exemption to clarify that there must be a concurrent AI financing.</p> <p>The accompanying Notice clarifies that the exemption is an exemption only from the prospectus requirement and does not provide a registration exemption or any exemption from the requirements that would apply to a registered dealer.</p> <p>The Notice explains that the issuer is required to confirm that the conditions of the exemption are met. The conditions of the exemption require that the investor has sworn a statutory declaration making certain attestations. The condition is not that the issuer has otherwise independently verified that information.</p>