Canadian Securities Administrators
Autorités canadiennes en valeurs mobilières

CSA Staff Notice 45-330 (Revised)

Frequently Asked Questions about the Listed Issuer Financing Exemption

First published June 1, 2023 and revised on May 14, 2025 and July 23, 2026

Introduction

The purpose of this notice is to answer some of the frequently asked questions (**FAQs**) on the listed issuer financing exemption under Part 5A of National Instrument 45-106 *Prospectus Exemptions* (**NI 45-106**) adopted by all securities regulatory authorities in Canada in November 2022 (the **exemption**). Subject to certain conditions, the exemption allows reporting issuers that have securities listed on an exchange recognized by a securities regulatory authority in a jurisdiction of Canada to raise the greater of $5 000 000 and 10% of the issuer's market capitalization to a maximum of total dollar amount of $10 000 000 in a 12-month period by distributing securities to investors.

On May 14, 2025, each of the Canadian Securities Administrators (**CSA**) jurisdictions published Coordinated Blanket Order 45-935 *Exemptions from Certain Conditions of the Listed Issuer Financing Exemption* (the **blanket order**), which provided exemptions to increase the amount that can be raised under the exemption. If an issuer uses the blanket order, it may raise the greater of $25 000 000 and 20% of the aggregate market value of the issuer's listed securities to a maximum of $50 000 000 in a 12-month period. If an issuer uses the blanket order, it would also be subject to different provisions related to the 50% dilution limit.

The blanket order does not create a separate prospectus exemption; rather, it provides relief from certain conditions of the exemption by setting out alternative terms and conditions that must instead be met.

The list of FAQs below is not exhaustive, but it includes key issues and questions market participants have posed to us and our preliminary observations on offerings using the exemption to date. Staff of the participating jurisdictions may update these FAQs from time to time as necessary.

Frequently asked questions

Qualification to use the exemption:

1. **Can an issuer use the exemption if they are in default of securities legislation requirements?**

No. While an issuer is in default of securities legislation requirements, the issuer does not satisfy the condition in paragraph 5A.2(e) of NI 45-106. This restriction on using the exemption applies to issuers that are on a list of defaulting issuers in a Canadian jurisdiction, to issuers that have been advised by staff to re-file non-compliant disclosure documents as part of a prospectus or continuous disclosure review, and to other issuers that are otherwise in default of their requirements under securities legislation.

Once an issuer has addressed all defaults to the satisfaction of staff, the issuer can use the exemption provided it satisfies the other conditions of the exemption.

2. **Can an issuer that is a reporting issuer but does not have listed equity securities currently trading on a Canadian exchange use the exemption?**

No. An issuer must satisfy the condition in paragraph 5A.2(b) of NI 45-106 and have listed equity securities at the time of distribution. Paragraph 5A.1(1) defines "listed equity security" to mean equity securities of an issuer listed for trading on an exchange.

Therefore, an exchange listing must be completed prior to using the exemption and cannot be concurrent with or following the closing of an offering using the exemption. The conditions require the issuer to take actions that would be considered as acts in furtherance of a trade, for which the issuer would also need an exemption, including soliciting purchasers by issuing a news release and filing the offering document. If the issuer does not have listed equity securities at the time of those actions, it would not be able to use the exemption for those activities.

From an investor protection perspective, having listed equity securities ensures the investor can easily monitor the market price, fluctuations, and trading volumes. This is likely to be important information for investors when making an informed investment decision.

The Available Funds requirement:

3. **What does it mean that the issuer must reasonably expect that it will have available funds to meet its business objectives and liquidity requirements for a period of 12 months following the distribution and how can an issuer ensure it complies with this condition?**

The exemption is not available in situations where an issuer lacks sufficient funds to continue operations and achieve its objectives. If an issuer does not reasonably expect to have available funds for a period of 12 months following the distribution, the issuer cannot use the exemption.

There are several factors an issuer should consider in determining whether it has sufficient funds. First, it should consider the costs of its business objectives for the next 12 months. Note that Item 7 *Business objectives and milestones* of Form 45-106F19 *Listed Issuer Financing Document* (**Form 45-106F19**) requires the issuer to state the business objectives that it expects to accomplish using the available funds, including the costs related to each significant event that must occur for the business objectives to be met. In addition, the issuer should consider its cash flow from operations. Absent changes in key assumptions, future operating cash flow is likely to be similar to cash flow from operations in the issuer's most recent financial period. There will likely be other factors unique to each issuer's situation that the issuer should consider in making a determination of sufficiency of funds.

In most cases, the issuer will need to set a minimum offering amount to meet the 12-month funds sufficiency requirement. The minimum offering amount under the exemption must not be less than the issuer's estimate of the funds required to continue its operations and achieve its business objectives for the next 12 months, considering offering costs, the issuer's working capital or deficiency, projected operating cash flow, and any committed sources of additional funding.

When completing Item 8 *Available Funds* of Form 45-106F19, the issuer should consider the following:

- offering costs include selling commissions, fees, and any other offering costs
- working capital or deficiency is the issuer's current assets less its current liabilities
- additional funding must be committed to be considered, for example a concurrent bought deal private placement or an available credit facility

In Item 9 *Use of Available Funds* of Form 45-106F19, the issuer is required to provide a breakdown of how it will use the available funds. This will include the purposes necessary to meet its business objectives and liquidity requirements for the next 12 months.

If the available funds identified in Item 8 are not sufficient to cover all of the issuer's business objectives and liquidity requirements for a period of 12 months, the issuer will need to either increase the minimum offering amount or otherwise ensure sufficient funding is in place before using the exemption.

We remind issuers that if a completed Form 45-106F19 contains a misrepresentation, purchasers of securities under the exemption have either a right to rescind their purchase of the securities or a right to damages against the issuer and, in certain jurisdictions, a right to damages from the officers that signed the offering document and the issuer's directors.

4. Can an issuer close an offering under the exemption in multiple tranches?

Yes. An issuer could close an offering under the exemption in multiple tranches, subject to the maximum amount that can be raised in a 12-month period. While an issuer can close an offering in multiple tranches, if the issuer needs to raise a minimum offering amount to meet the 12-month funds sufficiency requirement, it must raise that minimum amount in the first tranche closing. In addition, the issuer must close the last tranche no later than the 45th day after issuing and filing the news release announcing the offering.

Types of securities that may be issued under the exemption:

5. Can an issuer use the exemption to distribute flow-through shares?

Flow-through shares are not a separate class of security; rather, calling a security "flow-through" denotes the tax benefits of the security. Therefore, provided the flow-through shares are "listed equity securities" and that all other conditions of the exemption are met, our view is that an issuer could use the exemption to distribute flow-through shares.

6. Can an issuer use the exemption to distribute charitable flow-through shares?

A charitable flow-through structure involves the distribution of flow-through securities to the donor who receives the flow-through tax benefits and donates the securities to a charity who immediately resells the securities to the end purchaser. As we understand these trades occur instantaneously, the series of trades would be viewed as a series of transactions incidental to a distribution and all treated as a single ongoing distribution, as referenced in section 3.12(8) of Companion Policy 45-106CP *Prospectus Exemptions* (**45-106CP**). Therefore, if all conditions of the exemption are met, the exemption appears to be available. Since this is a distribution by the issuer to the end purchaser, the end purchaser must be named in the report of exempt distribution and have all statutory rights under the exemption.

7. Can an issuer use the exemption to distribute broker's warrants?

An issuer is only able to issue a listed equity security or a unit consisting of a listed equity security and a warrant to acquire a listed equity security. As broker's warrants would not typically be a listed equity security, the exemption would not be available for their distribution.

We caution market participants about potential backdoor underwriting concerns if a dealer acquired securities under the exemption. Please refer to both the last paragraph of subsection 3.12(8) and section 1.7 of 45-106CP.

8. Can an issuer use the exemption to issue securities for debt?

Our view is that the exemption is not available for the issuance of securities for debt. One of the conditions of the exemption is that the issuer cannot solicit an offer to purchase before issuing and filing a news release announcing the offering and filing a completed Form 45-106F19. In our view, the issuer will not be able to satisfy that condition if it already has bona fide debt outstanding with the intended "purchaser".

Types of offerings using the exemption:

9. Can the exemption be used for a bought deal offering?

In our view, bought deal offerings using the exemption raise the following potential concerns:

- who is considered to be the purchaser, and would the purchaser receive all the rights under the exemption, including direction on how to access the offering document and the statutory rights of action in the event the offering document or the issuer's periodic and timely disclosure documents contain a misrepresentation;
- what occurs if the underwriter has to purchase any securities not taken up by purchasers;
- that underwriters may solicit potential purchasers prior to the issuer issuing and filing the news release and filing its completed offering document, nullifying the availability of the exemption.

If a bought deal is conducted in such a way that the actual purchaser has all the rights contemplated under the exemption and will be named in the report of exempt distribution, our view is that the exemption could be available. In such cases, the series of trades made to the actual purchaser would be viewed as a series of transactions incidental to a distribution and all treated as a single ongoing distribution, as referenced in section 3.12(8) of 45-106CP. However, if the underwriter were to end up having to purchase any left-over securities, our expectation is that distribution would be under section 2.33 of NI 45-106 (see section 1.7 of 45-106CP).

In addition, the issuer and underwriter would have to make sure that any marketing of the offering complies with the conditions of the exemption so that no solicitations occur prior to the issuance and filing of the news release and filing of the completed offering document.

10. Can an issuer use the exemption concurrently with other prospectus exemptions?

Yes. There is nothing preventing the issuer from combining offerings under the exemption with offerings under the accredited investor exemption or other prospectus exemptions. However, those other exemptions carry a hold period, while this exemption does not.

11. Can an issuer use the exemption in Quebec concurrently with a prospectus in other provinces?

No. As this appears to be a way of structuring a transaction solely to avoid the requirement to translate the prospectus and continuous disclosure documents, staff of the Autorité des marchés financiers advise that it is unacceptable. This approach would also result in Quebec subscribers having fewer rights than the subscribers purchasing under the prospectus.

Unless the issuer is already a reporting issuer in Quebec, and therefore required to comply with the linguistic obligations of that province under Part 3 of NI 51-102 *Continuous Disclosure Obligations*, to use the exemption in Quebec, under paragraph 5A.2(n) of NI 45-106, only Form 45-106F19 required under paragraph 5A.2(k) needs to be filed in French, not the continuous disclosure documents that the issuer has filed on SEDAR+.

12. Can the exemption be used for sharing arrangements where the issuer will not receive the proceeds immediately?

No. As the exemption is meant for issuer financings, it cannot be used in situations such as sharing arrangements where any of the proceeds will be held in escrow or otherwise not payable to the issuer upon closing of the distribution. The exemption is also expressly limited to a listed equity security or a unit consisting of a listed equity security and a warrant convertible into a listed equity security. The distribution of an OTC derivative whose value is based on an underlying interest, being the settlement price of the security, is not permitted under the terms of the exemption.

13. How do the exemption and the blanket order interact?

An issuer can continue to use the exemption alone or it can use the exemption together with the blanket order. However, if an issuer wants to use any provision of the blanket order (for instance, the increased capital raising limit or the provisions related to the 50% dilution limit), then all of the conditions of the blanket order will apply. Therefore, the issuer will be subject to the conditions that provide that the distribution cannot:

- result in a new control person, or
- result in a person or company acquiring ownership of, or exercising control or direction over, securities that would result in the person or company being entitled to elect a majority of directors.

When completing Form 45-106F1 *Report of Exempt Distribution* for the distribution, issuers must select “NI 45-106 5A.2 [Listed issuer financing exemption]” under the “Rule, section and subsection number” column of Schedule 1 and in item 7f of the SEDAR+ online form regardless of whether the issuer relies on the exemption alone or the exemption together with the blanket order.

Other practice questions:

14. Does an issuer need to include the common shares that are issuable on exercise of warrants when calculating the 50% dilution limit?

Yes. It is a condition of the exemption that the distribution will not result in an increase of more than 50% of the issuer's outstanding listed equity securities. Since the distribution of common shares on exercise of warrants may result from the distribution, those underlying common shares must be included when calculating the limit.

If the issuer relies solely on the exemption, the issuer is required to include, when calculating the limit, all common shares issuable on exercise of its outstanding warrants. However, if the issuer relies on the exemption together with the blanket order, the issuer is only required to include, when calculating the limit, common shares that are issuable on exercise of warrants if the warrants are convertible within 60 days of the closing date of the distribution.

15. Is the value of the common shares issuable on exercise of warrants included in the calculation of the "total dollar amount of the distribution" maximum allowed to be raised within 12 months?

No. Unlike the 50% dilution limit referenced above, the condition limiting the total dollar amount of the distribution refers only to the total dollar amount of the *initial* distribution. As the listed common shares issuable on exercise of the warrants are not part of the initial distribution, they are not required to be included in the calculation of the total dollar amount of the distribution.

16. Does the issuer have to prepare a subscription agreement?

No. The exemption does not require a subscription agreement or a risk acknowledgement to be signed by the purchaser. Generally, offerings under prospectus exemptions do not require a subscription agreement but many issuers want one to provide protection for themselves. Subscription agreements also contain other protections for issuers, so the issuer may consider using one for their own benefit.

17. What date must the issuer refer to in the certificate of the offering document?

Item 15 of Form 45-106F19 requires the following statement in bold with the bracketed information completed:

"This offering document, together with any document filed under Canadian securities legislation on or after *[insert the date which is the earlier of the date that is 12 months before the date of this offering document and the date that the issuer's most recent audited annual financial statements were filed]*, contains disclosure of all material facts about the securities being distributed and does not contain a misrepresentation."

The requirement is that this certification must refer back to the date that is the earlier of 12 months before the date of the offering document and the date the most recent audited financial statements were filed. For most issuers, this will be a date 12 months before the date of the offering document. Staff have found that many issuers incorrectly use the date of the offering document itself instead of this earlier date. In these situations, we require the issuer to amended and restate its offering document to include the correct date.

Questions

If you have any questions about these FAQs or the exemption or blanket order generally, please contact any of the following CSA staff:

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