

## **Notice of Consultation – Offering Memorandum Exemption and Equity Crowdfunding**

**Whom is this consultation intended for?** All interested parties, namely:

- members of management of companies seeking financing, particularly early stage businesses and other small and medium-sized enterprises;
- individual and institutional investors;
- dealers, representatives and other registered persons; and
- lawyers, accountants and other professionals offering services to issuers.

**This consultation will be held on Wednesday, March 20, 2013 from 9:30 a.m. to 11:30 a.m. at the Tour de la Bourse, 800 Victoria Square, Montréal, on the 11th floor, in the IATA offices.**

You must [register before March 15, 2013](#).

### **Background**

Aware of the financing needs of early stage businesses and other small and medium-sized enterprises (the “SMEs”), the *Autorité des marchés financiers* (the “AMF”) is examining options that can help meet these needs without compromising investor protection.

In order to facilitate the raising of capital by these businesses, the AMF issued a [blanket order on December 20, 2012 exempting certain issuers from some of the requirements in respect of the offering memorandum exemption](#)<sup>1</sup> (the “OM order”).<sup>2</sup> Under that order, some issuers are exempt from the requirements of an audit of financial statements and of the preparation of financial statements in accordance with IFRS, provided certain conditions are met, particularly limits on the amounts of financing by issuers and of investment by investors. The offering memorandum exemption (the “OM exemption”) could be used as a framework for the potential implementation of an equity crowdfunding regime in Québec.

Equity crowdfunding represents an option that should be considered for early stage businesses and SMEs. It generally involves issuing a security in exchange for a financial interest in a business project, through an Internet portal. At present, equity crowdfunding is prohibited, unless it is carried out in accordance with securities regulation, which includes the obligation to prepare a prospectus or to rely on a prospectus exemption.<sup>3</sup> In

<sup>1</sup> The offering memorandum exemption is provided for in section 2.9 of *Regulation 45-106 respecting Prospectus and Registration Exemptions* (“Regulation 45-106”).

<sup>2</sup> Blanket Order on exemptions from certain financial statement requirements of Form 45-106F2 in Regulation 45-106, no. 2012-PDG-0238, published in the AMF Bulletin, December 20, 2012, volume 9, number 51.

<sup>3</sup> Section 11 of the *Securities Act*.

The vast majority of prospectus exemptions are covered by Regulation 45-106.

addition, the operation of equity crowdfunding portals would trigger the dealer registration requirements provided for by securities legislation.<sup>4</sup>

## Consultation

We invite all interested parties to express their views on the OM exemption, the OM order and equity crowdfunding. To that end, we submit the following questions for your consideration:

1. Will the OM order enable early stage businesses and SMEs to meet their financing needs more effectively? If the answer is no, why not?
2. Would other amendments be desirable to facilitate the use of the OM exemption?
3. Could the OM exemption terms be adapted to equity crowdfunding or should a specific regulatory framework be contemplated?
4. What requirements should be imposed on intermediaries operating equity crowdfunding portals?
5. What requirements should be imposed on issuers seeking to raise capital through an equity crowdfunding regime?
6. What requirements should be imposed on investors in the context of equity crowdfunding?
7. Under a potential equity crowdfunding regime, what limits should be set for the amounts issuers could raise and amounts investors could invest?
8. Apart from the requirements that should be imposed on intermediaries, issuers and investors, should other measures to ensure investor protection be contemplated? If so, what are they?
9. What are the risks associated with the potential implementation of an equity crowdfunding regime?
10. Do you think there are other issues to be considered on the matter of equity crowdfunding?

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<sup>4</sup> Section 148 of the *Securities Act*.



We encourage you to consider these questions and to share your views on March 20, 2013. If you are unable to attend, you can send us your views and comments on these questions in writing no later than March 20, 2013 at the following address:

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C.P. 246, tour de la Bourse  
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February 25, 2013