

Securities Crowdfunding Regulations in Canada

Elliott Mak, Senior Legal Counsel, Corporate Finance, BCSC
Denise Weeres, Manager, Legal, Corporate Finance, ASC
Gloria Tsang, Legal Counsel, Compliance and Registrant
Regulation, OSC
Gabriel Araish, Senior Analyst, Corporate Finance, AMF

March 1, 2017

Mission

- Protect investors
- Facilitate efficient capital markets

Fundamental Principles

- Prospectus requirement
- Registration requirement

Current Regulations in Canada

- Start-up Crowdfunding
- ASC Rules 45-517 *Prospectus exemption for start-up business*
- MI 45-108 *Crowdfunding*
- Offering Memorandum

Start-up Crowdfunding

- Up to \$250,000, two times per year
- Investor limit to \$1,500
- Risk Acknowledgement Form
- Through registered portal or portal using registration exemption

Start-up Crowdfunding Campaign

- Offering document : idea, business and distribution
- No financial statement requirements
- 90 days to raise minimum amount
- Funds held in trust until closing
- Concurrent distributions
- Withdrawal Right

Funding Portal Requirements

- Registration exemption:
 - Deliver prescribed filings
 - No investment advice
 - Holds investors' assets in trust
- Registered firms must confirm they meet certain conditions of the registration exemption

Start-up Business Exemption(AB)

- ASC performed environmental scan of regulatory landscape
- Where could we improve?
- One gap: very small financings

Start-up Business Exemption(AB)

Key terms

- Financing of up to \$250K
- Lifetime Max: \$1 million
- \$1500 investment / \$5,000 with positive suitability advice
- Very brief offering document / financial statements not required
- Risk acknowledgement required

Start-up Business Exemption(AB)

Differences from Start-up Crowdfunding

- Prospectus exemption only. No registration exemption
- No portal required
- If portal used must be registered
- Stepping stone to MI 45-108 and/or OM exemption etc.

MI 45-108

- \$1,500,000 raised by issuer group within 12-month period
- Different investment limits for different types of investors
- Annual investment limits in Ontario
- Financial statements
 - Point-of-sale
 - Ongoing
 - May need to be audited or reviewed

MI 45-108 Funding Portals

- Must be restricted dealer, investment dealer or EMD
- Restricted dealer is not permitted to provide a recommendation or advice
- Limited due diligence required on issuer

Offering Memorandum Exemption

- No limit on aggregate raise
- Requires audited financial statements
- Investment limits apply to investors in most jurisdictions
- Ongoing disclosure required in certain jurisdictions
- If used to crowdfund, portal must be registered and comply with KYC

For More Information

- Elliott Mak, Senior Legal Counsel, Corporate Finance, BCSC, 604-899-6501, emak@bcsc.bc.ca
- Denise Weeres, Manager, Legal, Corporate Finance, ASC, 403.297.2930, denise.weeres@asc.ca
- Gloria Tsang, Legal Counsel, Compliance and Registrant Regulation, OSC, 416-593-8263, gtsang@osc.gov.on.ca
- Gabriel Araish, Senior Analyst, Corporate Finance, AMF, 514-395-0337, ext. 4414, gabriel.araish@lautorite.qc.ca