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Notice

Amendments to
National Instrument 55-101 *Insider Reporting Exemptions*
and
Companion Policy 55-101CP

June 8, 2007

Introduction

We, the Canadian Securities Administrators (CSA), are implementing amendments to National Instrument 55-101 *Insider Reporting Exemptions* (NI 55-101) and its Companion Policy (55-101CP).

NI 55-101 and 55-101CP provide exemptions from the obligation to file insider reports under Canadian securities legislation where the policy reasons for insider reporting do not apply. The CSA adopted NI 55-101 in 2001 to make certain routine exemptions from the insider reporting requirement available automatically. We amended NI 55-101 in 2005 to add some additional routine exemptions. We proposed additional amendments in October 2006.

The amendments have been made, or are expected to be made, by each member of the CSA other than Prince Edward Island, Newfoundland and Labrador, Yukon, Northwest Territories and Nunavut.

Provided all necessary ministerial approvals are obtained, the amendments to NI 55-101 will come into force on **September 10, 2007**. The amendments to CP 55-101 will come into effect at the same time as the amendments to NI 55-101.

In Ontario, NI 55-101 and other required materials were delivered to the Minister of Government Services on June 7, 2007. The Minister may approve or reject the amendments to NI 55-101 or return them for further consideration. If the Minister approves the amendments to NI 55-101 or does not take any further action by August 6, 2007, the amendments to NI 55-101 will come into force on September 10, 2007.

In Québec, the proposed instrument is a regulation made under section 331.1 of The Securities Act (Québec) and must be approved, with or without amendment, by the Minister of Finance. The proposed instrument will come into force on the date of its publication in the Gazette officielle du Québec or on any later date specified in the regulation. It must also be published in the Bulletin.

Substance and Purpose
The amendments to NI 55-101 and CP 55-101 that we are adopting fall into the following two broad categories:
1. Amendments to clarify some provisions of NI 55-101.
2. Amendments to streamline requirements in NI 55-101.

Background
We published the proposed amendments for comment on October 27, 2006. The comment period expired on January 25, 2007.

Summary of Written Comments Received by the CSA
During the comment period, we received submissions from eight commenters. We have considered the comments received and thank all the commenters. The names of all the commenters and a summary of their comments, together with the CSA responses, are contained in Appendix B to this notice. The original comment letters are available on the Ontario Securities Commission website at www.osc.gov.on.ca.

After considering the comments, we have made changes to the proposed amendments to NI 55-101 that we published for comment. However, as these changes are not material, we are not republishing NI 55-101 for a further comment period.

Summary of Changes to the Proposed Amendments to the Instrument and Policy
The following summarizes noteworthy changes made to the amendments as originally published.

NI 55-101
1. Definition of "normal course issuer bid" – we have revised this definition so that a normal course issuer bid will include a bid conducted in accordance with the rules or policies of the Toronto Stock Exchange (TSX), the TSX Venture Exchange, or an exchange that is a recognized exchange, as defined in National Instrument 21-101 *Marketplace Operation.*

2. Definition of "senior officer" – we have added a definition of senior officer, which will apply in jurisdictions that do not have a definition of senior officer. For more information on this change, please refer to CSA Staff Notice 55-314 *Use of the terms "senior officer", "officer", and "insider" in National Instrument 55-101 Reporting Exemptions*, published February 23, 2007.

3. Section 5.2(3) – we have amended the proposed limitation in section 5.2(3) to require that the reporting issuer file a notice on SEDAR, rather than a news release.

55-101 CP
1. Part 4 – we have revised the guidance relating to recommended record-keeping practices.

2. Section 5.1(4) – we have revised this to be consistent with the change to section 5.2(3) of NI 55-101.

Questions
Please refer your questions to any of:

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Amendments

The text of the amendments to NI 55-101 is contained in Appendix A to this notice. Some CSA jurisdictions are publishing blackline documents showing the changes to the currently in force NI 55-101 and 55-101CP. Where applicable, these blackline documents are in Appendices C and D to this notice or found elsewhere on a CSA member website.

Appendix A

Amendments to
National Instrument 55-101 *Insider Reporting Exemptions*

1. National Instrument 55- 101 Insider Reporting Exemptions is amended by this Instrument.

2. Section 1.1 is amended

a. in paragraphs (a) and (b) of the definition of* "major subsidiary" *by deleting "*10*" and substituting "*20*";

b. in the definition of* "normal course issuer bid" *by deleting paragraph (b) and substituting the following:

(b) a normal course issuer bid as defined in the rules or policies of the Toronto Stock Exchange (TSX), the TSX Venture Exchange or an exchange that is a recognized exchange, as defined in National Instrument 21-101 – *Marketplace Operation*, that is conducted in accordance with the rules or policies of that exchange;

c. by adding the following after the definition of "*normal course issuer bid*":

"senior officer", in a jurisdiction whose legislation does not define that term, means an officer as defined in the legislation of that jurisdiction;

3. Sections 2.1, 2.2 and 2.3, are amended by striking out "Subject to section 4.1, the***" at the beginning of each section and substituting "***The***".***

4. Section 3.2 is amended by striking out "and 4.1***".***

5. Part 4 is repealed.

6. Section 5.2 is amended by adding the following after subsection 5.2(2):

(3) An insider who is an executive officer, as defined in National Instrument 51-102 *Continuous Disclosure Obligations*, or a director of the reporting issuer or of a major subsidiary may not rely on the exemption in section 5.1 for the acquisition of stock options or similar securities granted to the insider unless the reporting issuer has previously disclosed in a notice filed on SEDAR the existence and material terms of the grant, including without limitation

(a) the date the options or other securities were issued or granted,

(b) the number of options or other securities issued or granted to each insider who is an executive officer or director referred to above,

(c) the price at which the options or other securities were issued or granted and the exercise price, and

(d) the number and type of securities issuable on the exercise of the options or other securities.

7. ***This Instrument comes into force September 10, 2007.***

APPENDIX B

List of Commenters, Summary of Public Comments and CSA Responses

Canadian Bankers Association

Legal Advisory Committee – Autorité des marchés financiers

Market Regulation Services Inc.

McCarthy Tétrault

Ogilvy Renault

RBC Financial Group

Securities Law Subcommittee of the Business Law Section of the Ontario Bar Association

TD Bank Financial Group

Summary of Comments

	Summary of comment	CSA Response
A. General Comments		
1. Amendments in general	Five commenters supported the amendments in general, subject to their specific comments. *(McCarthy, RBC Financial, Ontario Bar, Canadian Bankers, LAC)*	We thank the commenters for their support. We have considered all comments received and have amended the materials where we believe it is appropriate.
2. Removing requirements relating to list of insiders	Six commenters agreed with removing the requirement to maintain lists of insiders. *(RBC Financial, Ontario Bar, TD Bank Financial, Canadian Bankers, Ogilvy, LAC)*	We thank the commenters for their support.
	One commenter suggested that we should remove from the Companion Policy the suggestion that maintaining a list of insiders relying on exemptions is a best practice as it could cause confusion as to which policies and procedures are necessary to comply with applicable insider trading laws. (*McCarthy*)	We have not amended the Companion Policy in response to this comment. The suggestion to maintain a list of persons with access to undisclosed material information is not a requirement in order for insiders to rely on the exemptions in the Instrument. The suggestion is intended to be an example of a best practice that issuers may wish to consider in developing their policies and procedures relating to information containment and insider trading.
	One commenter suggested that the new guidance in Part 4 of the CP be amended to delete the words "and help them [reporting issuers] to ensure that insiders are not violating insider trading prohibitions", noting that	We have amended the CP in response to this comment.

	the obligation to comply with the insider trading prohibitions rests on the insider itself, not the issuer. *(Ogilvy)*	
	One commenter supported including record-keeping in relation to those insiders who have the reporting obligation as an example of a best practice in 55-101CP, without reference to notices of intention or other lists. *(Canadian Bankers)*	The CP does not refer to notices of intention; however, CSA staff think that lists of insiders or persons with access to undisclosed information can be useful.
	One commenter indicated that they were not sure how the recommendation of a best practice approach of maintaining lists of knowledgeable insiders will result in the regulatory relief that many reporting issuers were looking for. *(LAC)*	The recommendation is not a requirement. Issuers can take other approaches to managing information. We will consider additional relief from the reporting requirements as part of phase 2.
3. Changing percentage thresholds in definition of "major subsidiary"	Five commenters supported the proposed amendments to increase the relevant percentages from 10 to 20% in this definition. (*RBC Financial, TD Bank Financial, Canadian Bankers, LAC, OntarioBar)* One of those commenters thought that the changes would alleviate considerably the reporting requirements of a number of officers and directors. (*LAC*). Although supporting the change, another of those commenters indicated that they did not think this change would have much	We thank the commenters for their support.

	practical effect. *(Ontario Bar)*	
	One commenter stated that, in their view, a test based on assets and revenues is not appropriate in determining which directors or senior officers of a subsidiary have access to information regarding material facts or changes with respect to the reporting issuer. Instead, they suggested that the definition of "ineligible insider" or "insider" should be refined further. *(Ogilvy)*	The suggested changes to the definition of ineligible insider or insider are beyond the scope of phase 1 of this project. We will consider changing those definitions as part of phase 2.
4. Definition of "normal course issuer bid"	One commenter suggested adopting a more generic definition of normal course issuer bid so that it would be available for a normal course issuer bid on a recognized exchange for the purposes of National Instrument 21-101 *Marketplace Operation. (RS)*	We agree with this comment and plan to amend the definition as suggested.
5. Definition of "ineligible insider"	One commenter suggested that, until the CSA combines the insider reporting requirements and exemptions in one harmonized national instrument, the definition of "ineligible insider" should be narrowed. (Ogilvy)	The suggested change to the definition of ineligible insider is beyond the scope of phase 1 of this project. We will consider changing the definition as part of phase 2.
6. Summary Reporting of Insider trades by marketplaces	One commenter requested that the CSA bear in mind the order designation requirements under UMIR when drafting the phase 2 amendments. *(RS)*	We will consider these requirements as part of phase 2 of this project.

7. Proposed future amendments	Five commenters suggested that we should require fewer insiders to file insider reports. *(RBC Financial, Ontario Bar, TD Bank Financial, Ogilvy, McCarthy)*	We thank the commenters for their suggestions. We will take these comments into consideration when preparing the phase 2 amendments. We invite commenters to provide additional comments when we publish the phase 2 amendments for comment.
	Five commenters suggested that the CSA could consider accelerating the time for filing reports only if the number of insiders required to file reports was reduced. *(RBC Financial, Ontario Bar, McCarthy, TD Bank Financial, Canadian Bankers)*	We thank the commenters for this suggestion. We will take this suggestion into consideration when preparing the phase 2 amendments.
	One commenter suggested that the phase 2 amendments should adopt a definition of ineligible insider based on the definition of senior officer in s. 485.1 of the *Bank Act. (RBC Financial)*	We will take this comment into consideration when preparing the phase 2 amendments.
	One commenter suggested that we adopt a narrower definition of insider for the purposes of insider reporting requirements along the lines of 10% holders, directors and "executive officers" (as defined in NI 51-102). *(Canadian Bankers)*	We will take this comment into consideration when preparing the phase 2 amendments.
	One commenter suggested that we should harmonize penalties for missed or erroneous filings and the administrative practices applied in determining when to impose penalties. *(RBC Financial)*	The issue of harmonizing penalties and administrative practices in imposing them is beyond the scope of this project. However, the CSA will consider this comment in the context of other projects dealing with administrative penalties and practices.

B. Answers in Response to Questions in CSA Notice:		
1. The exemption in Part 5 of NI 55-101 that allows insiders to defer reporting acquisitions under an automatic securities purchase plan is currently available only to directors and senior officers of the reporting issuer or a subsidiary of the reporting issuer. Should we make this exemption available to persons who own or control more than 10% of the voting securities of a reporting issuer? For example, this would allow these persons to participate in a dividend reinvestment plan and report on the additional shares they acquire in this way within 90 days of the end of the calendar year. If so, should there be limits on the number or percentage of securities that the insider can acquire before being required to file a report?	Three commenters agreed that persons who own or control more than 10% of the voting securities of a reporting issuer should be able to defer reporting acquisitions under ASPPs. *(McCarthy, Canadian Bankers, Ogilvy)* One commenter felt that any extension of this exemption to 10% holders should not be limited as to the number or percentage of securities that the insider can acquire before being required to file an insider report. *(McCarthy)* One commenter was of the view that the ASPP exemption should not be available to persons who own or control more than 10% of the voting securities of a reporting issuer, because the market is interested in any further acquisitions by these persons. In the case of a dividend reinvestment plan, the 10% shareholder may acquire a not insignificant number of securities and the reporting is not unduly burdensome. *(Ontario Bar)*	We thank the commenters for their suggestions. We have decided not to include 10% holders in the phase 1 amendments but will consider as part of phase 2 whether this exemption, if it continues to be necessary, should be expanded.

	One commenter asked the CSA to consider the impact of such an exemption on the insider obligations under National Instrument 62-103 – *The Early Warning System and Related Take-Over Bid and Insider Reporting Issues* (NI 62-103) and suggested that the CSA might consider limiting the exemption according to the same thresholds as those found under the early warning system. *(LAC)*	
2. We are proposing to let insiders who are executive officers or directors of a reporting issuer rely on the ASPP exemption in section 5.1 of NI 55-101 for the acquisition of stock options or similar securities granted to the insider if the reporting issuer has previously disclosed in a press release filed on SEDAR the existence and material terms of the grant.	One commenter suggested that this proposal introduces some confusion as to the proper way to report stock option grants. In their view, a preferable approach may well be to include guidance in the companion policy as to the circumstances (if any) in which it would be appropriate for insiders to rely on the ASPP exemption. *(Ontario Bar)*	We thank the commenter for this suggestion. However, we think that the proposed approach is clear and ensures that information about stock option grants is made public on a timely basis. We will consider further questions relating to insider reporting of grants of stock options and similar securities as part of the phase 2 amendments.
	One commenter had some concerns with the proposed limitation on the use of the exemption in section 5.1 by executive officers and directors, indicating that the phrase "or similar securities" is vague and causes significant lack of clarity as to whether the existing exemption in section 5.1 would be available in any circumstances. They are concerned that this provision should not be	The exemption does not (and is not intended to) expand the type of securities that are required to be reported.

	used to expand the types of securities that are required to be reported. *(Canadian Bankers)*	
	One commenter indicated that where the notice is filed is not as important as that the information reach the public marketplace rapidly. It is their belief that disclosure of the information in the financial press is the best method to ensure prompt and timely public disclosure, which does not prevent however the requirement of the filing of a notice on either SEDAR or SEDI or both. *(LAC)*	A grant of stock options is generally not a newsworthy event. As a result, even if we require issuers to issue a press release, it is not necessarily going to be picked up by the financial press. Therefore, based on the comments received, we have amended NI 55-101 to require a notice on SEDAR, rather than a press release.
(a) Could the same result be achieved by requiring the reporting issuer to file a notice on SEDAR, rather than issuing a press release?	Four commenters were of the view that a notice on SEDAR would be sufficient. *(RBC Financial, Ontario Bar, McCarthy, Ogilvy)*	Based on the comments received, we have amended NI 55-101 to require a notice on SEDAR, rather than a press release.
	One commenter did not favour either a press release or a notice on SEDAR, but would prefer to allow reporting issuers to disclose grants of stock options and to the extent required to be reported, issuer derivatives like deferred share units, restricted share awards and long term incentive plan units, in a general report of the issuer on SEDI. *(Canadian Bankers)* That commenter also would seek clarification that any press release or notice filing on SEDAR should provide information	We will consider this as part of the phase 2 amendments (and/or as part of the SEDI project). The notice on SEDAR will include detailed information about the grants to the insiders who are subject to the limitation in section 5.2(3) of NI 55-101, but not for other insiders.

	in more general terms, not detailed with respect to "each insider".	
(b) In the future, rather than require issuers to file a press release on SEDAR, should we enhance the System for Electronic Disclosure by Insiders (SEDI) to allow reporting issuers to disclose grants of stock options and issuer derivatives like deferred share units, restricted share awards and long term incentive plan units in a report of the issuer? This report could be analogous to the "issuer event" report required under section 2.4 of National Instrument 55-102 SEDI.	Four commenters supported enhancements to SEDI that would allow a report on stock option grants to be made in a manner similar to an issuer event report. *(RBC Financial, Ontario Bar, McCarthy, Ogilvy)*	We thank the commenters for their views on this. We will consider this as part of the SEDI project.
	One commenter suggested that it would be useful to have this report be consistent with the ASPP exemption so that there are not multiple reports available for reporting stock option grants. *(Ontario Bar)*	If SEDI is enhanced to allow this type of report, we would amend NI 55-101 so that the reporting issuer would not need to file the notice on SEDAR that is contemplated in these amendments.
3. The current concern in the United States about options backdating illustrates that the market is keenly interested in the timing of stock option grants. We understand that some investors time their own market purchases of securities of an issuer based on option grants to insiders that have been publicly disclosed. We believe that stock options or similar securities granted to executive officers or directors need to be disclosed on a timely basis – either in an insider report filed on SEDI within 10 days or a press release filed by the issuer on SEDAR. We are willing to allow other insiders to rely on the ASPP exemption for grants of stock options and similar securities, provided the plan under which they are granted meets the definition of an ASPP,	In the opinion of one commenter, grants represent compensation decisions by the company rather than investment decisions by insiders. Therefore, the reports do not enhance the signaling function. In addition, the commenter did not think the deterrence function is relevant to compensation decisions. *(RBC Financial)*	We thank the commenters for their views on this. We will consider this as part of phase 2 of this project.
	One commenter was of the view that stock option grants and issuer derivatives grants to executive officers and directors of a reporting issuer provide a greater signaling function than disclosure of similar grants to other insiders. *(McCarthy)*	

the conditions of the exemption are otherwise satisfied, and the insider is not making a discrete investment decision in respect of the grant. Does disclosure of grants of options and issuer derivatives to executive officers and directors provide a greater "signalling" function or "deterrence" value than disclosure of similar grants made to other insiders?	One commenter questions the differential treatment of executive officers and directors as compared to other insiders. It is the activities of only a very small circle of senior insiders that would likely be relevant to the market. Casting a wider reporting net places an unjustified burden on reporting issuers and their insiders that is out of all proportion to the utility of the information that such reports would provide. *(Ontario Bar)*	
	One commenter considers it to be unlikely that option grants provide a signaling function. Most companies grant options at the same time each year such that the signaling value (and consequently deterrence value) would be more likely from not granting options than granting them. The message in such circumstances could be that there is potentially material undisclosed information. However, disclosure of securities transactions of executive officers and directors have more significance in general than disclosure of similar grants and trades of a wide category of other insiders. *(Canadian Bankers)*	

	One commenter was of the view that if an ASPP is truly an automatic plan with no discrete investment decision being made upon granting, then such disclosure if properly understood should not provide a signal in the market. *(Ogilvy)*	
	One commenter was of the view that it is extremely important for information about these grants to reach the marketplace promptly and that in addition to its signaling function, the disclosure should have a deterrence value in the context of ensuring true dating of grants. *(LAC)*	

Appendix C

Blackline showing changes to the currently in force NI 55-101

NATIONAL INSTRUMENT 55-101
INSIDER REPORTING EXEMPTIONS

PART 1 DEFINITIONS

1.1 Definitions - In this Instrument

"acceptable summary form", in relation to the alternative form of insider report described in section 5.3, means an insider report that discloses as a single transaction, using December 31 of the relevant year as the date of the transaction, and providing an average unit price,

(a) the total number of securities of the same type acquired under an automatic securities purchase plan, or under all such plans, for the calendar year, and

(b) the total number of securities of the same type disposed of under all specified dispositions of securities under an automatic securities purchase plan, or under all such plans, for the calendar year;

"automatic securities purchase plan" means a dividend or interest reinvestment plan, a stock dividend plan or any other plan of a reporting issuer or of a subsidiary of a reporting issuer to facilitate the acquisition of securities of the reporting issuer if the timing of acquisitions of securities, the number of securities which may be acquired under the plan by a director or senior officer of the reporting issuer or of the subsidiary of the reporting issuer and the price payable for the securities are established by written formula or criteria set out in a plan document;

"cash payment option" means a provision in a dividend or interest reinvestment plan under which a participant is permitted to make cash payments to purchase from the issuer, or from an administrator of the issuer, securities of the issuer's own issue, in addition to the securities

(a) purchased using the amount of the dividend, interest or distribution payable to or for the account of the participant; or

(b) acquired as a stock dividend or other distribution out of earnings or surplus;

"dividend or interest reinvestment plan" means an arrangement under which a holder of securities of an issuer is permitted to direct that the dividends, interest or distributions paid on the securities be applied to the purchase, from the issuer or an administrator of the issuer, of securities of the issuer's own issue;

"ineligible insider" in relation to a reporting issuer means

(a) an individual performing the functions of the chief executive officer, the chief operating officer or the chief financial officer for the reporting issuer;

(b) a director of the reporting issuer;

(c) a director of a major subsidiary of the reporting issuer;

(d) a senior officer in charge of a principal business unit, division or function of ~~i) the reporting issuer or ii) a major subsidiary of the reporting issuer;~~

i) the reporting issuer or
ii) a major subsidiary of the reporting issuer;

(e) other than in Québec, a person that has direct or indirect beneficial ownership of, control or direction over, or a combination of direct or indirect beneficial ownership of, and control or direction over, securities of the reporting issuer carrying more than 10 percent of the voting rights attached to all the reporting issuer's outstanding voting securities; or

(f) in Québec, a person who exercises control over more than 10 percent of a class of shares of the reporting issuer to which are attached voting rights or an unlimited right to a share of the profits of the reporting issuer and in its assets in case of winding-up;

"insider issuer" in relation to a reporting issuer means an issuer that is an insider of the reporting issuer;

"investment issuer" in relation to an issuer means a reporting issuer in respect of which the issuer is an insider;

"issuer event" means a stock dividend, stock split, consolidation, amalgamation, reorganization, merger or other similar event that affects all holdings of a class of securities of an issuer in the same manner, on a per share basis;

"lump-sum provision" means a provision of an automatic securities purchase plan that allows a director or senior officer to acquire securities in consideration of an additional lump-sum payment, including, in the case of a dividend or interest

reinvestment plan that is an automatic securities purchase plan, a cash payment option;

"major subsidiary" means a subsidiary of a reporting issuer if

(a) the assets of the subsidiary, on a consolidated basis with its subsidiaries, as included in the most recent annual audited balance sheet of the reporting issuer, are ~~10~~20 percent or more of the consolidated assets of the reporting issuer reported on that balance sheet, or

(b) the revenues of the subsidiary, on a consolidated basis with its subsidiaries, as included in the most recent annual audited income statement of the reporting issuer, are ~~10~~20 percent or more of the consolidated revenues of the reporting issuer reported on that statement;

"normal course issuer bid" means

(a) an issuer bid that is made in reliance on the exemption contained in securities legislation from certain requirements relating to issuer bids that is available if the number of securities acquired by the issuer within a period of twelve months does not exceed 5 percent of the securities of that class issued and outstanding at the commencement of the period, or

(b) a normal course issuer bid as defined in the rules or policies of ~~The Montreal~~the Toronto Stock Exchange (TSX), ~~The~~the TSX Venture Exchange or ~~The Toronto Stock Exchange,~~an exchange that is a recognized exchange, as defined in *National Instrument 21-101 – Marketplace Operation*, that is conducted in accordance with the rules or policies of that exchange;

"senior officer", in a jurisdiction whose legislation does not define that term, means an officer as defined in the legislation of that jurisdiction;

"specified disposition of securities" means a disposition or transfer of securities under an automatic securities purchase plan that satisfies the conditions set forth in section 5.4; and

"stock dividend plan" means an arrangement under which securities of an issuer are issued by the issuer to holders of securities of the issuer as a stock dividend or other distribution out of earnings or surplus.

PART 2 EXEMPTIONS FOR CERTAIN DIRECTORS AND SENIOR OFFICERS

2.1 **Reporting Exemption (Certain Directors)** – ~~Subject to section 4.1, the~~The insider reporting requirement does not apply to a director of a subsidiary of a reporting issuer in respect of securities of the reporting issuer if the director

(a) does not in the ordinary course receive or have access to information as to material facts or material changes concerning the reporting issuer before the material facts or material changes are generally disclosed; and

(b) is not an ineligible insider in relation to the reporting issuer.

2.2 **Reporting Exemption (Certain Senior Officers)** - ~~Subject to section 4.1, the~~The insider reporting requirement does not apply to a senior officer of a reporting issuer or a subsidiary of the reporting issuer in respect of securities of the reporting issuer if the senior officer

(a) does not in the ordinary course receive or have access to information as to material facts or material changes concerning the reporting issuer before the material facts or material changes are generally disclosed; and

(b) is not an ineligible insider in relation to the reporting issuer.

2.3 **Reporting Exemption (Certain Insiders of Investment Issuers)** - ~~Subject to section 4.1, the~~The insider reporting requirement does not apply to a director or senior officer of an insider issuer, or a director or senior officer of a subsidiary of the insider issuer, in respect of securities of an investment issuer if the director or senior officer

(a) does not in the ordinary course receive or have access to information as to material facts or material changes concerning the investment issuer before the material facts or material changes are generally disclosed; and

(b) is not an ineligible insider in relation to the investment issuer.

PART 3 EXEMPTION FOR DIRECTORS AND SENIOR OFFICERS OF AFFILIATES OF INSIDERS OF A REPORTING ISSUER

3.1 **Québec** - This Part does not apply in Québec.

3.2 **Reporting Exemption** - Subject to section ~~3.3 and 4.1,~~3.3, the insider reporting requirement does not apply to a director or senior officer of an affiliate of an insider of a reporting issuer in respect of securities of the reporting issuer.

3.3 **Limitation** - The exemption in section 3.2 is not available if the director or senior officer

(a) in the ordinary course receives or has access to information as to material facts or material changes concerning the reporting issuer before the material facts or material changes are generally disclosed;

(b) is an ineligible insider in relation to the reporting issuer; or

(c) is a director or senior officer of an issuer that supplies goods or services to the reporting issuer or to a subsidiary of the reporting issuer or has contractual arrangements with the reporting issuer or a subsidiary of the reporting issuer, and the nature and scale of the supply or the contractual arrangements could reasonably be expected to have a significant effect on the market price or value of the securities of the reporting issuer.

~~**PART 4 INSIDER LISTS AND POLICIES**~~**PART 4 [Repealed ●, 2007]**

~~**4.1 Insider Lists and Policies** - An insider of a reporting issuer may rely on an exemption contained in Part 2 or Part 3 if~~

~~(a) the insider has advised the reporting issuer that the insider intends to rely on the exemption, and~~

~~(b) the reporting issuer has advised the insider that the reporting issuer has established policies and procedures relating to restricting the trading activities of its insiders and other persons with access to material undisclosed information relating to the reporting issuer or to an investment issuer of the reporting issuer, and will, as part of such policies and procedures, maintain:~~

~~(i) a list of all insiders of the reporting issuer exempted from the insider reporting requirement by sections 2.1, 2.2, 2.3 and 3.2; and~~

~~(ii) a list of all insiders of the reporting issuer not exempted from the insider reporting requirement by sections 2.1, 2.2, 2.3 and 3.2.~~

~~**4.2 Alternative to Lists** - Despite section 4.1, an insider of a reporting issuer may rely on an exemption contained in Part 2 or Part 3 if~~

~~(a) the insider has advised the reporting issuer that the insider intends to rely on the exemption, and~~

~~(b) the reporting issuer has advised the insider that the reporting issuer has established policies and procedures relating to restricting the trading activities of its insiders and other persons with access to material undisclosed information relating to the reporting issuer or to an investment issuer of the reporting issuer, and the reporting issuer has filed an~~

~~undertaking with the regulator or securities regulatory authority that the reporting issuer will, promptly upon request, make available to the regulator or securities regulatory authority~~

~~(i) a list of all insiders of the reporting issuer exempted from the insider reporting requirement by sections 2.1, 2.2, 2.3 and 3.2; and~~

~~(ii) a list of all insiders of the reporting issuer not exempted from the insider reporting requirement by sections 2.1, 2.2, 2.3 and 3.2.~~

PART 5 REPORTING OF ACQUISITIONS UNDER AUTOMATIC SECURITIES PURCHASE PLANS

5.1 **Reporting Exemption** - Subject to sections 5.2 and 5.3, the insider reporting requirement does not apply to a director or senior officer of a reporting issuer or of a subsidiary of the reporting issuer for

(a) the acquisition of securities of the reporting issuer under an automatic securities purchase plan, other than the acquisition of securities under a lump-sum provision of the plan; or

(b) a specified disposition of securities of the reporting issuer under an automatic securities purchase plan.

5.2 **Limitation**

(1) Other than in Québec, the exemption in section 5.1 is not available to an insider described in clause (e) of the definition of "ineligible insider".

(2) In Québec, the exemption in section 5.1 is not available to an insider described in clause (f) of the definition of "ineligible insider".

(3) An insider who is an executive officer (as defined in National Instrument 51-102 *Continuous Disclosure Obligations*) or a director of the reporting issuer or of a major subsidiary may not rely on the exemption in section 5.1 for the acquisition of stock options or similar securities granted to the insider unless the reporting issuer has previously disclosed in a notice filed on SEDAR the existence and material terms of the grant, including without limitation

(a) the date the options or other securities were issued or granted,

(b) the number of options or other securities issued or granted to each insider who is an executive officer or director referred to above,

(c) the price at which the options or other securities were issued or granted and the exercise price, and

(d) the number and type of securities issuable on the exercise of the options or other securities.

5.3 Alternative Reporting Requirement

(1) An insider who relies on the exemption from the insider reporting requirement contained in section 5.1 must file a report, in the form prescribed for insider trading reports under securities legislation, disclosing, on a transaction-by-transaction basis or in acceptable summary form, each acquisition of securities under the automatic securities purchase plan that has not previously been disclosed by or on behalf of the insider, and each specified disposition of securities under the automatic securities purchase plan that has not previously been disclosed by or on behalf of the insider,

(a) for any securities acquired under the automatic securities purchase plan that have been disposed of or transferred, other than securities that have been disposed of or transferred as part of a specified disposition of securities, within the time required by securities legislation for filing a report disclosing the disposition or transfer; and

(b) for any securities acquired under the automatic securities purchase plan during a calendar year that have not been disposed of or transferred, and any securities that have been disposed of or transferred as part of a specified disposition of securities, within 90 days of the end of the calendar year.

(2) An insider is exempt from the requirement under subsection (1) if, at the time the report is due,

(a) the insider has ceased to be an insider; or

(b) the insider is entitled to an exemption from the insider reporting requirements under an exemptive relief order or under an exemption contained in Canadian securities legislation.

5.4 Specified Disposition of Securities - A disposition or transfer of securities acquired under an automatic securities purchase plan is a "specified disposition of securities" if

(a) the disposition or transfer is incidental to the operation of the automatic securities purchase plan and does not involve a discrete investment

decision by the director or senior officer; or

(b) the disposition or transfer is made to satisfy a tax withholding obligation arising from the distribution of securities under the automatic securities purchase plan and either

(i) the director or senior officer has elected that the tax withholding obligation will be satisfied through a disposition of securities, has communicated this election to the reporting issuer or the plan administrator not less than 30 days prior to the disposition and this election is irrevocable as of the 30th day before the disposition; or

(ii) the director or senior officer has not communicated an election to the reporting issuer or the plan administrator and, in accordance with the terms of the plan, the reporting issuer or the plan administrator is required to sell securities automatically to satisfy the tax withholding obligation.

PART 6 REPORTING FOR NORMAL COURSE ISSUER BIDS

6.1 **Reporting Exemption** - The insider reporting requirement does not apply to an issuer for acquisitions of securities of its own issue by the issuer under a normal course issuer bid.

6.2 **Reporting Requirement** - An issuer who relies on the exemption from the insider reporting requirement contained in section 6.1 shall file a report, in the form prescribed for insider trading reports under securities legislation, disclosing each acquisition of securities by it under a normal course issuer bid within 10 days of the end of the month in which the acquisition occurred.

PART 7 REPORTING FOR CERTAIN ISSUER EVENTS

7.1 **Reporting Exemption** - The insider reporting requirement does not apply to an insider of a reporting issuer whose direct or indirect beneficial ownership of, or control or direction over, securities of the reporting issuer changes as a result of an issuer event of the issuer.

7.2 **Reporting Requirement** - An insider who relies on the exemption from the insider reporting requirement contained in section 7.1 must file a report, in the form prescribed for insider trading reports under securities legislation, disclosing all changes in direct or indirect beneficial ownership of, or control or direction over, securities by the insider for securities of the reporting issuer pursuant to an issuer event that have not previously been reported by or on behalf of the insider, within the time required by securities legislation for the insider to report any other subsequent change in direct or indirect beneficial ownership of, or control or direction over, securities of the reporting issuer.

PART 8 EFFECTIVE DATE

8.1 **Effective Date** - This National Instrument comes into force on April 30, 2005.

Appendix D

Blackline showing changes to the currently in force 55-101CP

COMPANION POLICY 55-101CP
TO NATIONAL INSTRUMENT 55-101
INSIDER REPORTING EXEMPTIONS

PART 1 PURPOSE

1.1 **Purpose** - The purpose of this Companion Policy is to set out the views of the Canadian Securities Administrators (the CSA or we) on various matters relating to National Instrument 55-101 *Insider Reporting Exemptions* (the Instrument).

PART 2 SCOPE OF EXEMPTIONS

2.1 **Scope of Exemptions -** The exemptions under the Instrument are only exemptions from the insider reporting requirement and are not exemptions from the provisions in Canadian securities legislation imposing liability for improper insider trading.

PART 3 EXEMPTION FOR CERTAIN DIRECTORS AND SENIOR OFFICERS

3.1 **Exemption for Certain Directors**

Section 2.1 of the Instrument contains an exemption from the insider reporting requirement for a director of a subsidiary of a reporting issuer in respect of securities of the reporting issuer if the director

(a) does not in the ordinary course receive or have access to information as to material facts or material changes concerning the reporting issuer before the material facts or material changes are generally disclosed; and

(b) is not an ineligible insider.

The exemption in section 2.1 is available for a director of a subsidiary of a reporting issuer but is not available for a director of a reporting issuer or for an insider who otherwise comes within the definition of "ineligible insider". This is because such insiders, by virtue of their positions, are presumed to routinely have access to information as to material facts or material changes concerning the reporting issuer before the material facts or material changes are generally disclosed.

The definition of "ineligible insider" includes an insider who is a director of a "major subsidiary" of the reporting issuer. In view of the significance of a major

subsidiary of a reporting issuer to the reporting issuer, we believe that it is appropriate to treat directors of such subsidiaries in an analogous manner to directors of the reporting issuer. Accordingly, directors of major subsidiaries are included in the definition of "ineligible insider".

In the case of directors of subsidiaries of a reporting issuer that are not major subsidiaries of the reporting issuer, although such individuals, by virtue of being directors of the subsidiary, routinely have access to material undisclosed information about the subsidiary, such information generally will not constitute material undisclosed information about the reporting issuer since the subsidiary is not a major subsidiary of the reporting issuer.

3.2 Exemption for Certain Senior Officers

(1) Section 2.2 of the Instrument contains an exemption from the insider reporting requirements for a senior officer of a reporting issuer or a subsidiary of a reporting issuer if the senior officer

(a) does not in the ordinary course receive or have access to information as to material facts or material changes concerning the reporting issuer before the material facts or material changes are generally disclosed; and

(b) is not an ineligible insider.

(c) The exemption contained in section 2.2 of the Instrument is available to senior officers of a reporting issuer as well as to senior officers of any subsidiary of the reporting issuer, regardless of size, so long as such individuals meet the criteria contained in the exemption. Accordingly the scope of the exemption is somewhat broader than the scope of the exemption contained in section 2.1 for directors of subsidiaries that are not major subsidiaries.

In the case of individuals who are "senior officers", we accept that many such individuals do not routinely have access to information as to material facts or material changes concerning the reporting issuer before the material facts or material changes are generally disclosed. For example, the term "senior officer" generally includes an individual who holds the title of "vice-president". We recognize that, in recent years, it has become industry practice, particularly in the financial services sector, for issuers to grant the title of "vice-president" to certain employees primarily for marketing purposes. In many cases, the title of "vice-president" does not denote a senior officer function, and such individuals do not routinely have access to material undisclosed information prior to general disclosure. Accordingly, we accept that it is not necessary to require all persons who hold the title of "vice-presidents" to file insider reports.

3.3 Exemption for Certain Insiders of Investment Issuers

Section 2.3 of the Instrument contains an exemption for a director or senior officer of an "insider issuer" who meets certain criteria in relation to trades in securities of an "investment issuer". The criteria are as follows:

- the director or senior officer of the insider issuer does not in the ordinary course receive or have access to information as to material facts or material changes concerning the investment issuer before the material facts or material changes are generally disclosed; and

- the director or senior officer is not otherwise an "ineligible insider" of the investment issuer.

The reference to "material facts or material changes concerning the investment issuer" in the exemption is intended to include information that originates at the insider issuer level but which concerns or is otherwise relevant to the investment issuer. For example, in the case of an issuer that has a subsidiary investment issuer, a decision at the parent issuer level that the subsidiary investment issuer will commence or discontinue a line of business would generally represent a "material fact or material change concerning the investment issuer". Similarly, a decision at the parent issuer level that the parent issuer will seek to sell its holding in the subsidiary investment issuer would also generally represent a "material fact or material change concerning the investment issuer." Accordingly, a director or senior officer of the parent issuer who routinely had access to such information concerning the investment issuer would not be entitled to rely on the exemption for trades in securities of the investment issuer.

PART 4 INSIDER LISTS AND POLICIES

~~(1) Section 4.1 of the Instrument describes certain steps that must be taken before an insider of a reporting issuer may rely on an exemption in Part 2 or Part 3 of the Instrument. Section 4.1 requires~~

~~(a) the insider to have advised the reporting issuer that the insider intends to rely on the exemption, and~~

~~(b) the reporting issuer to have advised the insider that the reporting issuer has established policies and procedures relating to restricting the trading activities of its insiders and other persons with access to material undisclosed information relating to the reporting issuer or to an investment issuer of the reporting issuer, and the reporting issuer will, as part of such policies and procedures, maintain:~~

(i) a list of insiders of the reporting issuer exempted from the insider reporting requirement by a provision of the Instrument, and

(ii) a list of insiders of the reporting issuer not exempted by a provision of the Instrument.

An insider is not required to advise the reporting issuer each time the insider intends to rely on an exemption from the insider reporting requirement. An insider may advise the reporting issuer that the insider intends to rely on a specified exemption from the insider reporting requirement for present and future transactions for so long as the insider otherwise remains entitled to rely on the exemption.

If an insider has previously advised the reporting issuer that the insider intends to rely on an exemption that is substantially similar to an exemption contained in the Instrument, such as an exemption contained in the previous version of the Instrument or an exemption contained in an exemptive relief order, we would consider that this previous notification constitutes notification for the purposes of the condition in section 4.1 of the Instrument. Accordingly, it would not be necessary for an insider in these circumstances to again notify the reporting issuer after the Instrument comes into force.

If a reporting issuer advises an insider that the reporting issuer will maintain the lists described in section 4.1, but the reporting issuer subsequently fails to do so, we would accept that continued reliance by the insider on the exemptions would be reasonable so long as the insider did not know and could not reasonably be expected to know that the reporting issuer had failed to maintain the necessary lists.

(2) As an alternative to maintaining the lists described in subparagraphs 4.1(b) (i) and (ii) of the Instrument, a reporting issuer may file an undertaking with the regulator or securities regulatory authority instead. The undertaking requires the reporting issuer to make available to the regulator or securities regulatory authority, promptly upon request, a list containing the information described in subparagraphs 4.1(b) (i) and (ii) as at the time of the request.

The principal rationale behind the requirement to maintain a list of exempt insiders and a list of non-exempt insiders is to allow for an independent means to verify whether individuals who are relying on an exemption are in fact entitled to rely on the exemption. If a reporting issuer determines that it is not necessary to maintain such lists as part of its own policies and procedures relating to insider trading, and is able to prepare and make available such lists promptly upon request, the rationale behind the list

~~requirement would be satisfied.~~

~~(3) Sections 4.1 and 4.2 of the Instrument require (as a condition to the availability of the exemptions in Parts 2 and 3) that a reporting issuer establish and maintain certain policies and procedures relating to insider trading. The Instrument does not prescribe the content of such policies and procedures. It merely requires that such policies and procedures exist and that the issuer maintain the lists described in subparagraphs 4.1(b)(i) and (ii) or file an undertaking in relation to such lists.~~

The CSA have articulated in National Policy 51-201 *Disclosure Standards* detailed best practices for issuers for disclosure and information containment and have provided a thorough interpretation of insider trading laws. The CSA recommend that issuers adopt written disclosure policies to assist directors, officers and employees and other representatives in discharging timely disclosure obligations. Written disclosure policies also should provide guidance on how to maintain the confidentiality of corporate information and to prevent improper trading on inside information. The CSA best practices offer guidance on broad issues including disclosure of material changes, timely disclosure, selective disclosure, materiality, maintenance of confidentiality, rumours and the role of analysts' reports. In addition, guidance is offered on such specifics as responsibility for electronic communications, forward-looking information, news releases, use of the Internet and conference calls. We believe that adopting the CSA best practices as a standard for issuers would assist issuers to ensure that they take all reasonable steps to contain inside information.

~~The disclosure standards described in National Policy 51-201 *Disclosure Standards* represent best practices recommended by the CSA. An issuer's policies and procedures need not be consistent with National Policy 51-201 in order for the exemptions in Parts 2 and 3 of the Instrument to be available.~~

Reporting issuers may also wish to consider preparing and periodically updating a list of the persons working for them or their affiliates who have access to material facts or material changes concerning the reporting issuer before those facts or changes are generally disclosed. This type of list may allow reporting issuers to control the flow of undisclosed information. Before ●, 2007, it was a condition of the exemptions in Parts 2 and 3 that the reporting issuer maintain lists of insiders relying on exemptions and of those insiders who were not exempt from the insider reporting requirement. Alternatively, the issuer could undertake to provide these lists promptly after receiving a request for them from a securities regulatory authority. This is no longer a condition for an insider to be able to rely on the exemptions. However, some jurisdictions may request additional information, including asking the reporting issuer to prepare and provide a list of insiders, for example in the context of an insider reporting review.

PART 5 AUTOMATIC SECURITIES PURCHASE PLANS

5.1 Automatic Securities Purchase Plans

(1) Section 5.1 of the Instrument provides an exemption from the insider reporting requirement for acquisitions by a director or senior officer of a reporting issuer or of a subsidiary of a reporting issuer of securities of the reporting issuer pursuant to an automatic securities purchase plan (an ASPP).

(2) The exemption does not apply to securities acquired under a cash payment option of a dividend or interest reinvestment plan, a lump-sum provision of a share purchase plan, or a similar provision under a stock option plan.

(3) If a plan participant acquires securities under an ASPP and wishes to report the acquisitions on a deferred basis in reliance on the exemption in section 5.1 of the Instrument, the plan participant is required to file an alternative form of report(s) as follows:

(a) in the case of acquisitions of securities that are not disposed of or transferred during the year (other than as part of a "specified disposition of securities", discussed below) the participant must file a report disclosing all such acquisitions annually no later than 90 days after the end of the calendar year; and

(b) in the case of acquisitions of securities that are disposed of or transferred during the year (other than as part of a "specified disposition of securities", discussed below) the participant must file a report disclosing the acquisition and disposition within the normal time frame for filing insider reports in respect of the disposition, as contemplated by clause 5.3(1)(a) of the Instrument.

(4) The ASPP exemption allows insiders who acquire or dispose of securities of the reporting issuer under an ASPP to file insider reports on a deferred basis when the insider is not making a discrete investment decision (as discussed below in subsection 5.2(3)) for the acquisition or disposition under the ASPP. In the past, issuers and insiders have asked whether the ASPP exemption is available for grants of stock options and similar securities. The CSA are of the view than an insider can rely on this exemption for grants of stock options and similar securities provided the plan under which they are granted meets the definition of an ASPP, the conditions of the exemption are otherwise satisfied, and the insider is not making a discrete investment decision in respect of the grant or acquisition.

To fit within the definition of an ASPP, the plan must set out a written formula or criteria for establishing the timing of the acquisitions, the number of securities that the insider can acquire and the price payable. If an insider is able to exercise discretion in relation to these terms either in the capacity of a recipient of the securities or through participating in the decision-making process of the issuer making the grant, the insider may be able to make a discrete investment decision in respect of the grant or acquisition. In these circumstances, the CSA does not believe that information about the grant should be disclosed to the market on a deferred basis.

If an insider is an executive officer or a director of the reporting issuer or a major subsidiary, the insider may be participating in the decision to grant the options or other securities. Even if the insider does not participate in the decision, we believe information about options or similar securities granted to this group of insiders is important to the market. As a result, subsection 5.2(3) of the Instrument provides that a plan participant who is in one of these categories cannot rely on the ASPP exemption for stock option grants or similar acquisitions of securities **unless** the reporting issuer has disclosed the material terms of the grant in a notice filed on SEDAR before the time the insider would have been required to file an insider report. If the reporting issuer has disclosed this information, the insider still must file the alternative form of report described in (3) above. This helps to ensure that the market has information on a timely basis about the options or other securities granted to insiders who may have participated in the decision to grant the securities, even though the insider may not file an insider report disclosing the grant until a later date.

5.2 Specified Dispositions of Securities

(1) A disposition or transfer of securities acquired under an ASPP is a "specified disposition of securities" if

(a) the disposition or transfer is incidental to the operation of the ASPP and does not involve a discrete investment decision by the director or senior officer; or

(b) the disposition or transfer is made to satisfy a tax withholding obligation arising from the distribution of securities under the ASPP and the requirements contained in clauses 5.4(b)(i) or (ii) are satisfied.

(2) In the case of dispositions or transfers described in subsection 5.4(a) of the Instrument, namely a disposition or transfer that is incidental to the operation of the ASPP and that does not involve a discrete investment decision by the director or senior officer, we believe that such dispositions

or transfers do not alter the policy rationale for deferred reporting of the acquisitions of securities acquired under an ASPP since such dispositions necessarily do not involve a discrete investment decision on the part of the participant.

(3) The term "discrete investment decision" generally refers to the exercise of discretion involved in a specific decision to purchase, hold or sell a security. The purchase of a security as a result of the application of a pre-determined, mechanical formula does not represent a discrete investment decision (other than the initial decision to enter into the plan in question).

The reference to "discrete investment decision" in section 5.4 is intended to reflect a principles-based limitation on the exemption for permitted dispositions under an ASPP. Accordingly, in interpreting this term, you should consider the principles underlying the insider reporting requirement – deterring insiders from profiting from material undisclosed information and signalling insider views as to the prospects of an issuer – and the rationale for the exemptions from this requirement.

The term is best illustrated by way of example. In the case of an individual who holds stock options in a reporting issuer, the decision to exercise the stock options will generally represent a discrete investment decision. If the individual is an insider, we believe that this information should be communicated to the market in a timely fashion, since this decision may convey information that other market participants may consider relevant to their own investing decisions. ~~A reasonable investor may conclude, for example, that the decision on the part of the insider to exercise the stock options now reflects a belief on the part of the insider that the price of the underlying securities has peaked~~.

(4) The definition of "specified disposition of securities" contemplates, among other things, a disposition made to satisfy a tax withholding obligation arising from the acquisition of securities under an ASPP in certain circumstances. nder some types of ASPPs, an issuer or plan administrator may sell, on behalf of a plan participant, a portion of the securities that would otherwise be distributed to the plan participant in order to satisfy a tax withholding obligation. In such plans, the participant typically may elect either to provide the issuer or the plan administrator with a cheque to cover this liability, or to direct the issuer or plan administrator to sell a sufficient number of the securities that would otherwise be distributed to cover this liability. In many cases, for reasons of convenience, a plan participant will simply direct the issuer or the plan administrator to sell a portion of the securities.

Although we are of the view that the election as to how a tax withholding obligation will be funded does contain an element of a discrete investment

decision, we are satisfied that, where the election occurs sufficiently in advance of the actual distribution of securities, it is acceptable for a report of a disposition made to satisfy a tax withholding obligation to be made on an annual basis. Accordingly, a disposition made to satisfy a tax withholding obligation will be a "specified disposition" if it meets the criteria contained in clause 5.4(b) of the Instrument.

5.3 Reporting Requirements

(1) Subsection 5.3(1) of the Instrument requires an insider who relies on the exemption for securities acquired under an ASPP to file an alternative report for *each* acquisition of securities acquired under the plan. We recognize that, in the case of securities acquired under an ASPP, the time and effort required to report each transaction *as a separate transaction* may outweigh the benefits to the market of having this detailed information. We believe that it is acceptable for insiders to report on a yearly basis aggregate acquisitions (with an average unit price) of the same securities through their automatic share purchase plans. Accordingly, in complying with the alternative reporting requirement contained in section 5.3 of the Instrument, an insider may report the acquisitions on either a transaction-by-transaction basis or in "acceptable summary form". The term "acceptable summary form" is defined to mean a report that indicates the total number of securities of the *same type* (e.g. common shares) acquired under an ASPP, or under all ASPPs, for the calendar year as a single transaction using December 31 of the relevant year as the date of the transaction, and providing an average unit price. Similarly, an insider may report all specified dispositions of securities in a calendar year in acceptable summary form.

(2) If securities acquired under an ASPP are disposed of or transferred, other than pursuant to a specified disposition of securities, and the acquisitions of these securities have not been previously disclosed in a report, the insider report should disclose, for each acquisition of securities which are disposed of or transferred, the particulars relating to the date of acquisition of such securities, the number of securities acquired and the acquisition price of such securities. The report should also disclose, for each disposition or transfer, the related particulars for each such disposition or transfer of securities. It would be prudent practice for the director or senior officer to indicate in such insider report, by way of the "Remarks" section, or otherwise, that he or she participates in an ASPP and that not all purchases under that plan have been included in the report.

(3) The annual report that an insider files for acquisitions and specified dispositions under the ASPP in accordance with clause 5.3(1)(b) of the Instrument will reconcile the acquisitions under the plan with other acquisitions or dispositions by the director or senior officer so that the

report provides an accurate listing of the director's or senior officer's total holdings. As required by securities legislation, the report filed by the insider must differentiate between securities held directly and indirectly and must indicate the registered holder if securities are held indirectly. In the case of securities acquired pursuant to a plan, the registered holder is often a trustee or plan administrator.

5.4 Exemption to the Alternative Reporting Requirement

(1) If a director or senior officer relies on the ASPP exemption contained in section 5.1 of the Instrument, the director or senior officer becomes subject, as a consequence of such reliance, to the alternative reporting requirement under subsection 5.3(1) to file one or more reports within 90 days of the end of the calendar year (the alternative reporting requirement).

(2) The principal rationale underlying the alternative reporting requirement is to ensure that insiders periodically update their publicly disclosed holdings to ensure that their publicly disclosed holdings convey an accurate picture of their holdings. If an individual has ceased to be subject to the insider reporting requirements at the time the alternative reporting requirement becomes due, we are of the view that it is not necessary to ensure that the alternative report is filed. Accordingly, subsection 5.3(2) of the Instrument contains an exemption in this regard.

5.5 Design and Administration of Plans - Part 5 of the Instrument provides a limited exemption from the insider reporting requirement only in circumstances in which an insider, by virtue of participation in an ASPP, is not making discrete investment decisions for acquisitions under such plan. Accordingly, if it is intended that insiders of an issuer rely on this exemption for a particular plan of an issuer, the issuer should design and administer the plan in a manner which is consistent with this limitation.

PART 6 EXISTING EXEMPTIONS

6.1 Existing Exemptions - Insiders can continue to rely on orders of Canadian securities regulatory authorities, subject to their terms and unless the orders provide otherwise, which exempt certain insiders, on conditions, from all or part of the insider reporting requirement, despite implementation of the Instrument.