

**CSA Notice and Request for Comment  
Proposed Repeal and Replacement of  
National Instrument 52-108 *Auditor Oversight***

**AND**

**Proposed Amendments to  
National Instrument 41-101 *General Prospectus Requirements*,  
National Instrument 51-102 *Continuous Disclosure Obligations* and  
National Instrument 71-102 *Continuous Disclosure and Other  
Exemptions Relating to Foreign Issuers***

**October 17, 2013.**

**Introduction**

We, the Canadian Securities Administrators (CSA) are publishing for a 90-day comment period the proposed materials:

- National Instrument 52-108 *Auditor Oversight* (NI 52-108),
- Companion Policy 52-108CP *Auditor Oversight*,

(together, the Amended Auditor Oversight Rule), and proposed amendments to

- National Instrument 41-101 *General Prospectus Requirements*,
- National Instrument 51-102 *Continuous Disclosure Obligations* (NI 51-102),
- Companion Policy 51-102CP *Continuous Disclosure Obligations*,
- National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* (NI 71-102), and
- Companion Policy 71-102CP *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*

(together, the Proposed Amendments).

The Amended Auditor Oversight Rule will replace current National Instrument 52-108 *Auditor Oversight* (the Current Auditor Oversight Rule).

The text of the proposed materials contained in Annexes A through D of this notice is also published on the websites of a number of the members of the CSA.

**Substance and purpose**

Consistent with the Current Auditor Oversight Rule, the main purpose of the Amended Auditor Oversight Rule is to contribute to public confidence in the integrity of financial reporting of

reporting issuers by promoting high quality, independent auditing. In the Amended Auditor Oversight Rule, we are proposing to change the triggers in NI 52-108 for when a public accounting firm must deliver to the regulator a notice relating to remedial actions imposed by the Canadian Public Accountability Board (CPAB). We expect this will result in a greater number of notices than is currently the case.

We are proposing amendments to NI 51-102 relating to information about changes in auditor to ensure that reporting issuers provide more timely and complete information. Furthermore, to improve transparency, we are proposing to add a requirement to disclose in a prospectus, if applicable, that an auditor is not subject to the oversight program of CPAB. Finally, we are adding a requirement to NI 71-102 to require foreign issuers to comply with NI 52-108; this will align a foreign issuer's obligations with their auditor's obligations relating to auditor oversight.

## **Background**

The Current Auditor Oversight Rule was developed in connection with the creation of CPAB, which began its operations in October 2003.

The Current Auditor Oversight Rule requires a reporting issuer to have the auditor's report signed by a public accounting firm that has entered into a participation agreement with CPAB and to be in compliance with any restrictions or sanctions imposed by CPAB. In addition, it requires a public accounting firm to provide notice to the securities regulator, and in some cases, the audit committees and board of directors of each reporting issuer client, of certain restrictions or sanctions imposed by CPAB.

## **Summary of the proposed materials**

We are proposing the following key changes in the proposed materials from existing requirements:

- require a public accounting firm to deliver a notice to the regulator if CPAB imposes certain types of remedial actions regardless of the labels CPAB attaches to them (e.g., “sanction” or “restriction”),
- require a public accounting firm to notify its reporting issuer clients if it is not in compliance with certain requirements in the Instrument,
- require disclosure in a prospectus, if the financial statements of the issuer included in the prospectus were audited by an auditor that, as at the date of the most recent auditor's report on financial statements included in the prospectus, was not required to be subject to, and was not subject to the oversight program of CPAB,
- reduce the filing period from 30 days to 14 days for a change of auditor notice required by NI 51-102 following the termination, resignation or appointment of an auditor by a reporting issuer,
- require a predecessor auditor or a successor auditor to notify the regulator on a timely basis if a reporting issuer does not file a change of auditor notice required by NI 51-102, and

- add a condition to the current exemptions in NI 71-102 relating to audited financial statements of SEC foreign issuers and designated foreign issuers to require compliance with NI 52-108. This aligns the requirements for foreign issuers with the current requirement for an auditor of a foreign issuer to comply with NI 52-108.

We are not, at this time, proposing any substantive changes to the existing requirements for when a public accounting firm must provide notice to the audit committees of its reporting issuer clients about remedial actions imposed by CPAB. We propose to defer consideration of this issue until further developments are made on a recommendation by the Enhancing Audit Quality (EAQ) initiative that more information on CPAB inspection results be made available to audit committees.

The EAQ initiative was led by the Chartered Professional Accountants of Canada and CPAB. In its May 31, 2013 report, it was recommended that CPAB and the audit firms it oversees develop a protocol for increasing the extent of information made available to audit committees. As part of the protocol, the EAQ initiative recommended that, if CPAB has inspected the audit file of a particular company, its auditors would provide the audit committee, on a confidential basis, with a summary of any significant findings of the inspection and the firm's response to those findings.

We will request periodic updates on the development of a protocol and will provide input when appropriate. After further efforts to develop a protocol, the CSA will consider the need for potential changes to the requirements in NI 52-108 for notice to audit committees.

### **Anticipated costs and benefits**

We expect the proposed materials will improve the quality and extent of information that public accounting firms must deliver to the regulator relating to remedial actions imposed by CPAB which will assist the regulator in its oversight and review of the financial statement filings of reporting issuers. We also expect that reporting issuers and public accounting firms generally will not incur any significant incremental costs to implement the proposed materials.

### **Local matters**

Annex H to this Notice outlines proposed amendments to local securities legislation. Each jurisdiction that is publishing local amendments will publish an Annex H outlining the proposed local amendments for that jurisdiction.

### **Request for comments**

We welcome your comments on the proposed materials. Please submit your comments in writing by January 15, 2014. If you are not sending your comments by email, please also send an electronic file containing the submissions (in Microsoft Word format).

Address your submission to all of the CSA as follows:

British Columbia Securities Commission  
Alberta Securities Commission  
Financial and Consumer Affairs Authority of Saskatchewan

Manitoba Securities Commission  
 Ontario Securities Commission  
 Autorité des marchés financiers  
 Financial and Consumer Services Commission (New Brunswick)  
 Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island  
 Nova Scotia Securities Commission  
 Securities Commission of Newfoundland and Labrador  
 Registrar of Securities, Northwest Territories  
 Registrar of Securities, Yukon Territory  
 Superintendent of Securities, Nunavut

Deliver your comments **only** to the addresses below. Your comments will be distributed to the other participating CSA member jurisdictions.

The Secretary  
 Ontario Securities Commission  
 20 Queen Street West  
 22<sup>nd</sup> Floor  
 Toronto, Ontario M5H 3S8  
 Fax: 416-593-2318  
[comments@osc.gov.on.ca](mailto:comments@osc.gov.on.ca)

Anne-Marie Beaudoin,  
 Corporate Secretary  
 Autorité des marchés financiers  
 800, square Victoria, 22e étage  
 C.P. 246, tour de la Bourse  
 Montréal (Québec) H4Z 1G3  
 Fax : 514-864-6381  
[consultation-en-cours@lautorite.qc.ca](mailto:consultation-en-cours@lautorite.qc.ca)

We cannot keep submissions confidential because securities legislation in certain provinces requires publication of a summary of the written comments received during the comment period.

### Contents of Annexes

Annex A:	Proposed National Instrument 52-108 <i>Auditor Oversight</i>
Annex B:	Proposed Companion Policy 52-108CP <i>Auditor Oversight</i>
Annex C:	Proposed amendments to National Instrument 41-101 <i>General Prospectus Requirements</i>
Annex D:	Proposed amendments to National Instrument 51-102 <i>Continuous Disclosure Obligations</i>
Annex E:	Proposed changes to Companion Policy 51-102CP <i>Continuous Disclosure Obligations</i>
Annex F:	Proposed amendments to National Instrument 71-102 <i>Continuous Disclosure</i>

	<i>and Other Exemptions Relating to Foreign Issuers</i>
Annex G:	Proposed changes to Companion Policy 71-102CP <i>Continuous Disclosure and Other Exemptions Relating to Foreign Issuers</i>
Annex H:	Local matters

It is proposed that Companion Policy 52-108 *Auditor Oversight* and the amendments to the Instruments referred to in Annexes C, D, and F, all of which are being published for comment will become effective to coincide with the implementation of the amended and restated National Instrument 52-108 *Auditor Oversight*.

## Questions

Please refer your questions to any of the following:

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## **Annex A**

### **Proposed National Instrument 52-108 Auditor Oversight**

#### **NATIONAL INSTRUMENT 52-108 AUDITOR OVERSIGHT**

##### **PART 1 DEFINITIONS AND APPLICATION**

###### **Definitions**

**1.** In this Instrument

"CPAB" means the Canadian Public Accountability Board/Conseil canadien sur la reddition de comptes, incorporated as a corporation without share capital under the *Canada Corporations Act* by Letters Patent dated April 15, 2003;

"CPAB rules" means the rules and bylaws of CPAB, as amended from time to time;

"participation agreement" means a written agreement between CPAB and a public accounting firm in connection with CPAB's program of practice inspections and the establishment of practice requirements;

"participating audit firm" means a public accounting firm that has entered into a participation agreement and that has not had its participant status terminated or, if its participant status was terminated, the status has been reinstated by CPAB;

"professional standards" means the standards, as amended from time to time, listed in section 300 of CPAB rules that are applicable to participating audit firms;

"public accounting firm" means a person or company engaged in the business of providing services as public accountants.

##### **PART 2 AUDITOR OVERSIGHT**

###### **Public Accounting Firms**

- 2.** A public accounting firm that prepares an auditor's report with respect to the financial statements of a reporting issuer must be, as of the date of its auditor's report
- (a) a participating audit firm,

- (b) in compliance with any remedial action referred to under subsection 5(1), and
- (c) in compliance with the notice requirements in section 5.

### **Notice to Reporting Issuer if Public Accounting Firm Not in Compliance**

- 3. (1) If a public accounting firm has been appointed to prepare an auditor's report with respect to the financial statements of a reporting issuer and, at any time before signing the audit report, is not in compliance with the requirements of paragraphs 2(a), (b) or (c), the public accounting firm must provide the reporting issuer with notice in writing that it is not in compliance within 2 days of first becoming aware of its non-compliance.
- (2) A public accounting firm that has previously provided notice to a reporting issuer under (1) must not notify a reporting issuer that it complies with paragraphs 2(a), (b) or (c) unless it has been informed in writing by CPAB that the circumstances that gave rise to the notice no longer apply.
- (3) A public accounting firm must deliver a copy of a notice required under this section to CPAB on the same day that it is delivered to the reporting issuer.

### **Reporting Issuers**

- 4. A reporting issuer that files its financial statements accompanied by an auditor's report of a public accounting firm must have the auditor's report prepared by a public accounting firm that, as of the date of the auditor's report,
  - (a) is a participating audit firm, and
  - (b) has not given the reporting issuer a notice under subsection 3(1) or, if it has given the reporting issuer a notice under subsection 3(1), has notified the reporting issuer that the circumstances that gave rise to the notice no longer apply.

## **PART 3 NOTICE**

### **Notice of Remedial Action to Regulator or Securities Regulatory Authority**

- 5. (1) A participating audit firm appointed to prepare an auditor's report with respect to the financial statements of a reporting issuer must deliver a notice to the regulator or, in Quebec, the securities regulatory authority, if any of the following occurs:
  - (a) CPAB notifies the participating audit firm in writing that it requires the participating audit firm to take one or more of the following remedial actions:
    - (i) terminate an audit engagement;

- (ii) engage an independent monitor to observe and report to CPAB on the participating audit firm's compliance with professional standards;
    - (iii) engage an external reviewer or supervisor to oversee the work of the participating audit firm;
    - (iv) limit the type or number of new reporting issuer audit clients the participating audit firm may accept;
  - (b) CPAB notifies the participating audit firm in writing that it must disclose to the regulator or, in Quebec, the securities regulatory authority, any remedial action not referred to in paragraph (a);
  - (c) CPAB publicly discloses a remedial action with which the participating audit firm must comply.
- (2) The notice required under subsection (1) must be in writing and must include the descriptions CPAB provided the participating audit firm of all of the following:
- (a) how the participating audit firm failed to comply with professional standards;
  - (b) each remedial action that CPAB imposed on the participating audit firm;
  - (c) for greater certainty, the time frame within which the participating audit firm must comply with each remedial action.
- (3) The notice described in subsection (2) must be delivered to the regulator or, in Quebec, the securities regulatory authority, no later than 2 days after the date that CPAB notifies the participating audit firm that it must comply with any remedial action under paragraph (1)(a), (b), or (c).
- (4) The participating audit firm must deliver a copy of a notice required under this section to CPAB on the same day that it is delivered to the regulator or, in Quebec, the securities regulatory authority.

#### **Additional Notice Relating to Defects in Quality Control Systems**

6. (1) If CPAB required a participating audit firm to comply with any remedial action relating to a defect in the participating audit firm's quality control systems, and CPAB notifies the participating audit firm that it has not addressed the defect in its quality control systems within the time period required by CPAB, the participating audit firm must deliver a notice to all of the following:
- (a) for each reporting issuer for which the participating audit firm is appointed to prepare an auditor's report,

- (i) the audit committee, or
  - (ii) if the reporting issuer does not have an audit committee, the person or company responsible for reviewing and approving the reporting issuer's financial statements before they are filed;
- (b) the regulator or, in Quebec, the securities regulatory authority.
- (2) The notice required under subsection (1) must be in writing and must describe all of the following:
  - (a) the defect in the participating audit firm's quality control systems identified by CPAB;
  - (b) the remedial action imposed by CPAB, including the date the remedial action was imposed and the time period within which CPAB required the participating audit firm to address the defect in its quality control systems;
  - (c) why the participating audit firm did not address the defect in its quality control systems within the time period required by CPAB.
- (3) A participating audit firm must deliver the notice required under subsection (1) no later than 10 days after the participating audit firm received notice from CPAB in writing that the participating audit firm failed to address the defect in its quality control systems within the time period required by CPAB.
- (4) The participating audit firm must deliver a copy of a notice required under this section to CPAB on the same day it is delivered to the regulator or, in Quebec, the securities regulatory authority.

### **Notice Before New Appointment**

- 7. (1) A participating audit firm that is seeking an appointment to prepare an auditor's report with respect to the financial statements of a reporting issuer for a financial year must provide notice to the audit committee or, if the reporting issuer does not have an audit committee, the person or company responsible for reviewing and approving the reporting issuer's financial statements before they are filed, if
  - (a) the participating audit firm did not audit the financial statements of the reporting issuer for the immediately preceding financial year, and
  - (b) CPAB informed the participating audit firm within the preceding 12-month period that the participating audit firm failed to address defects in its quality control systems to the satisfaction of CPAB.

- (2) The notice required under subsection (1) must be in writing and include the information referred to in subsection 6(2).

#### **PART 4 EXEMPTION**

##### **Exemption**

8. (1) The regulator or the securities regulatory authority may grant an exemption from this Instrument, in whole or in part, subject to such conditions and restrictions as may be imposed in the exemption.
  - (2) Despite subsection (1), in Ontario, only the regulator may grant such an exemption.
  - (3) Except in Ontario, an exemption referred to in subsection (1) is granted under the statute referred to in Appendix B of NI 14-101 opposite the name of the local jurisdiction.

#### **PART 5 REPEAL AND EFFECTIVE DATE**

##### **Repeal**

9. National Instrument 52-108 *Auditor Oversight* is repealed.

##### **Effective Date**

10. This Instrument comes into force on \*\*\*

## **Annex B**

### **Proposed Companion Policy 52-108CP**

#### **COMPANION POLICY 52-108CP *AUDITOR OVERSIGHT***

##### **Introduction**

CPAB is an independent oversight body for public accounting firms that audit financial statements of reporting issuers. The purpose of CPAB is to promote high quality external audits of reporting issuers. It is responsible for developing and implementing an oversight program that includes regular inspections of participating audit firms. CPAB's primary means of assessing the quality of audits is through the inspection of selected high-risk sections of audit files and elements of a participating audit firm's quality control systems.

The purpose of National Instrument 52-108 is to contribute to public confidence in the integrity of financial reporting by reporting issuers by requiring:

- a reporting issuer to engage an auditor that has entered into a participation agreement with CPAB in connection with CPAB's program of practice inspections and the establishment of practice requirements,
- a participating audit firm to be in compliance with specified remedial actions imposed by CPAB,
- a participating audit firm to provide notice to the regulator or, in Quebec, the securities regulatory authority, if CPAB imposes specified remedial actions, including the termination of an audit engagement or the engagement of an independent monitor to observe and report on compliance with professional standards, and
- a participating audit firm to provide notice to the audit committee or the person or company responsible for reviewing and approving financial statements, of its reporting issuer clients if the firm failed to address a defect in the firm's quality control systems that was previously identified by CPAB.

The purpose of this Companion Policy is to state the view of the securities regulatory authorities on various matters related to the Instrument.

##### **Section 1 - Definition of Participating Audit Firm**

Many of the requirements in the Instrument are linked to the definition of participating audit firm in section 1. For example, section 5 of the Instrument imposes a notice requirement on a participating audit firm in a number of circumstances, including where CPAB requires the firm to terminate an audit engagement. CPAB may impose a remedial action on one or more individuals involved in a professional capacity with the participating audit firm. For purposes of

the Instrument, the securities regulatory authorities consider any remedial action imposed by CPAB on an individual acting in a professional capacity with a participating audit firm to be a remedial action imposed on the firm.

## **Section 1 - Definition of Professional Standards**

The definition of professional standards refers to the standards listed in section 300 of CPAB rules, which are standards relating to auditing, ethics, independence and quality control.

### **Subsection 5(1) and Paragraph 6(1)(b) – Notice to Regulator or Securities Regulatory Authority**

Both subsection 5(1) and paragraph 6(1)(b) of the Instrument require a participating audit firm to deliver a notice to the regulator or, in Quebec, the securities regulatory authority. “Regulator” and “securities regulatory authority” are defined in NI 14-101 – *Definitions*. Each participating audit firm that is subject to either of these provisions must deliver the notice to the regulator or, in Quebec, the securities regulatory authority, in each jurisdiction in which the firm is appointed by one or more reporting issuers to prepare an auditor’s report with respect to their financial statements. The securities regulatory authorities will consider the notice requirement in each of these provisions of the Instrument to have been satisfied if the notice is sent to [*CSA email address to be added*].

### **Subsection 5(1) – Remedial Action Imposed by CPAB**

Subsection 5(1) of the Instrument requires a participating audit firm to deliver a notice to the regulator or, in Quebec, the securities regulatory authority, of certain remedial actions imposed by CPAB. CPAB may refer to an item in subsection 5(1) of the Instrument as a recommendation, a requirement, a restriction or a sanction, or CPAB may use a different term. A participating audit firm must deliver the notice under section 5 of the Instrument if the remedial action is described in that section, without regard to how CPAB refers to it. For example, a notice is required by subparagraph 5(1)(a)(i) of the Instrument if CPAB requires a participating audit firm to terminate an audit engagement regardless of whether CPAB refers to it as a recommendation, requirement, restriction, sanction or uses a different term.

### **Subparagraph 5(1)(a)(iii) – Engagement of an External Reviewer or Supervisor**

Subparagraph 5(1)(a)(iii) of the Instrument requires a participating audit firm to deliver a notice to the regulator or, in Quebec, the securities regulatory authority, if CPAB requires a participating audit firm to engage an external reviewer or supervisor to oversee its work. One example of when a participating audit firm would notify the regulator is when CPAB requires the firm to engage an external engagement quality control reviewer to perform a technical review of one or more audits performed by the firm.

### **Subparagraph 5(1)(a)(iv) – Limitation on a Participating Audit Firm from Accepting New Reporting Issuer Audit Clients**

Subparagraph 5(1)(a)(iv) of the Instrument requires a participating audit firm to deliver a notice to the regulator or, in Quebec, the securities regulatory authority, if CPAB limits the type or number of new reporting issuer audit clients the firm accepts. The securities regulatory authorities consider this type of limitation to include restrictions on accepting audit engagements of reporting issuers in a particular industry. For example, a participating firm that is limited for any period of time from auditing the financial statements of mining companies is subject to subparagraph 5(1)(a)(iv) in the Instrument even if the firm may continue to audit reporting issuers in other industries.

The securities regulatory authorities also consider the term “new reporting issuer audit client” to refer to any reporting issuer the financial statements of which were not audited by the participating audit firm for the reporting issuer’s most recently completed financial year. For example, if a participating firm was asked to audit the financial statements of a reporting issuer for the first time in respect of its 2013 fiscal year, that issuer would be a new reporting issuer audit client of the firm. Similarly, if a participating audit firm had audited the reporting issuer’s 2011 financial statements but did not audit the 2012 financial statements, the securities regulatory authorities would also consider the issuer to be a new reporting issuer audit client of the firm in respect of the 2013 financial statement audit.

#### **Paragraph 5(1)(b) – Notice Required at Discretion of CPAB**

Paragraph 5(1)(b) of the Instrument requires a participating audit firm to deliver a notice to the regulator or, in Quebec, the securities regulatory authority, at the discretion of CPAB. One example of when CPAB may require a participating audit firm to notify the regulator is when the firm failed to comply with a remedial action within the period CPAB required.

#### **Paragraph 5(2)(b) – Contents of Notice**

Subsection 5(2) of the Instrument sets out the content requirements for a notice delivered to the regulator or, in Quebec, the securities regulatory authority, by a participating audit firm. Paragraph 5(2)(b) requires a participating audit firm to describe each remedial action that CPAB imposed on the firm. This includes, but is not limited to, remedial actions referred to in subsection 5(1). For example, if CPAB requires a participating audit firm to engage an independent monitor under subparagraph 5(1)(b)(ii) of the Instrument and also imposes additional remedial actions on the firm other than those referred to in subsection 5(1), the notice must include a complete description of such other remedial actions.

## Annex C

### Proposed Amendments To

### National Instrument 41-101

### *General Prospectus Requirements*

1. *National Instrument 41-101 General Prospectus Requirements is amended.*

2. *Form 41-101F1 is amended by adding the following after item 26.1:*

#### **Auditor that was not a participating audit firm**

26.1.1 (1) If the auditor referred to in section 26.1 was not a participating audit firm, as defined in NI 52-108, as at the date of the most recent auditor's report on financial statements included in the prospectus, include a statement in substantially the following form:

"[*Audit Firm A*] audited the financial statements of [*Entity B*] for the year ended [*state the period of the most recent financial statements included in the prospectus*] and issued an auditor's report dated [*state the date of the auditor's report for the relevant financial statements*]. As at [*state the date of the auditor's report for the relevant financial statements*], [*Audit Firm A*] was not required by securities legislation to enter, and had not entered, into a participation agreement with the Canadian Public Accountability Board. An audit firm that enters into a participation agreement is subject to the oversight program of the Canadian Public Accountability Board."

(2) If an auditor of the financial statements required by Item 32 was not a participating audit firm, as defined in NI 52-108, as at the date of the most recent auditor's report issued by that auditor on financial statements included in the prospectus, include a statement in substantially the following form:

"[*Audit Firm C*] audited the financial statements of [*Entity D*] for the year ended [*state the period of the most recent financial statements, if any, included in the prospectus under Item 32*] and issued an auditor's report dated [*state the date of the auditor's report for the relevant financial statements*]. As at [*state the date of the auditor's report for the relevant financial statements*], [*Audit Firm C*] was not required by securities legislation to enter, and had not entered, into a participation agreement with the Canadian Public Accountability Board. An audit firm that enters into a participation agreement is subject to the oversight program of the Canadian Public Accountability Board..

3. *This Instrument comes into force on [\*].*

**Annex D**  
**Proposed Amendments To**  
**National Instrument 51-102**  
*Continuous Disclosure Obligations*

1. *National Instrument 51-102 Continuous Disclosure Obligations is amended.*
2. *Subsection 4.11(5) is amended*
  - (a) *in paragraph (a) by replacing “10” with “3”,*
  - (b) *in clause (a)(ii)(C) by replacing “20” with “7”, and*
  - (c) *in paragraph (b) by replacing “30” with “14”.*
3. *Subsection 4.11(6) is amended*
  - (a) *in paragraph (a) by replacing “10” with “3”,*
  - (b) *in clause (a)(ii)(C) by replacing “20” with “7”,*
  - (c) *in subparagraph (a)(iii) by replacing “20” with “7”,*
  - (d) *in paragraph (b) by replacing “30” with “14”, and*
  - (e) *by deleting “either” in subparagraph (b)(iv).*
4. *Subsection 4.11(8) is replaced with the following:*
  - (8) **Predecessor Auditor’s Obligations to Report Non-Compliance** – If a reporting issuer does not file the reporting package required to be filed under subparagraph (5)(b)(ii) or the news release required to be filed under subparagraph (5)(b)(iv), the predecessor auditor must, within 3 days of the required filing date, advise the reporting issuer in writing of the failure and deliver a copy of the letter to the regulator or, in Quebec, the securities regulatory authority..
5. *Section 4.11 is amended by adding the following after subsection (8):*
  - (9) **Successor Auditor’s Obligations to Report Non-Compliance** – If a reporting issuer does not file the reporting package required to be filed under subparagraph (6)(b)(ii) or the news release required to be filed

under subparagraph (6)(b)(iv), the successor auditor must, within 3 days of the required filing date, advise the reporting issuer in writing of the failure and deliver a copy of the letter to the regulator or, in Quebec, the securities regulatory authority..

**6.     *This Instrument comes into force on [\*].***

**Annex E**  
**Proposed Changes To**  
**Companion Policy 51-102CP**  
*Continuous Disclosure Obligations*

1. *The changes proposed to Companion Policy 51-102CP of National Instrument 51-102 Continuous Disclosure Obligations are set out in this schedule.*
2. *Part 4 is changed by adding the following after section 4.3:*
  - 4.4 Predecessor and successor auditor reporting of non-compliance with change of auditor requirements – Subsections 4.11(8) and 4.11(9) of the Instrument require a predecessor and successor auditor to deliver to a regulator or, in Quebec, the securities regulatory authority, a copy of a letter sent to a reporting issuer advising a reporting issuer of its failure to comply with the change of auditor reporting requirements. “Regulator” and “securities regulatory authority” are defined in NI 14-101 – *Definitions*. The securities regulatory authorities will consider the notice requirement in each of these provisions of the Instrument to have been satisfied if the notice is sent to [CSA email address to be added].
3. *These changes become effective on [\*].*

**Annex F**  
**Proposed Amendments To**  
**National Instrument 71-102**

*Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*

- 1. *National Instrument 71-102 Continuous Disclosure Obligation and Other Exemptions Relating to Foreign Issuers is amended.***
- 2. *Section 4.3 is amended by***
  - (a) adding “required to be” after “annual financial statements” in paragraph (c),*
  - (b) deleting “and” in paragraph (d),*
  - (c) adding “and” to the end of paragraph (e), and*
  - (d) adding the following after paragraph (e):*
    - (f) complies with NI 52-108 Auditor Oversight..*
- 3. *Section 5.4 is amended by***
  - (a) deleting “and” in paragraph (d),*
  - (b) adding “and” to the end of paragraph (e), and*
  - (c) adding the following after paragraph (e):*
    - (f) complies with NI 52-108 Auditor Oversight..*
- 4. *This Instrument comes into force on [\*].***

**Annex G**  
**Proposed Changes To**  
**Companion Policy 71-102CP**

*Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*

**1. *The changes proposed to Companion Policy 71-102CP of National Instrument 71-102 Continuous Disclosure Obligations and other Exemptions Relating to Foreign Issuers are set out in this schedule.***

**2. *Section 6.4 is replaced by the following:***

6.4 Financial statements and auditor's report relief – Section 4.3 of the Instrument provides certain relief for an SEC foreign issuer relating to financial statements and auditors' reports on annual financial statements. Section 5.4 provides similar relief for a designated foreign issuer. The relief is available only if the particular foreign issuer meets all of the conditions listed in sections 4.3 and 5.4, respectively, including the requirement to comply with NI 52-107 and NI 52-108 *Auditor Oversight*. Sections 4.3 and 5.4 do not provide relief from

(a) the certification requirements in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual or Interim Filings*, or

(b) the audit committee requirements in National Instrument 52-110 *Audit Committees*.

SEC foreign issuers and designated foreign issuers must look to those instruments for any exemptions that may be available to them..

**3. *These changes become effective on [\*].***

## **Annex H**

### **Local Matters**

The British Columbia Securities Commission (BCSC) adopted NI 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* as a blanket exemption order when it was first adopted in March 2004 and has amended that initial blanket order to reflect changes made to NI 71-102 since that time.

If the proposed amendments to NI 71-102 set out in Annex D proceed and are adopted by other jurisdictions, the BCSC would anticipate making the same amendments to its blanket order.