

**ALBERTA SECURITIES COMMISSION
NOTICE**

**NATIONAL INSTRUMENT 55-101
*EXEMPTION FROM CERTAIN INSIDER REPORTING REQUIREMENTS***

Implementation of Instrument and Repeal of Existing Rule

The Alberta Securities Commission (the "Commission") and other members of the Canadian Securities Administrators (the "CSA") have implemented National Instrument 55-101 *Exemption from Certain Insider Reporting Requirements* ("NI 55-101") and Companion Policy 55-101CP (the "Policy", together with NI 55-101 referred to in this Notice as the "Instrument"). In Alberta, NI 55-101 has been implemented as a Commission Rule and the Policy has been adopted as a Commission policy.

The Instrument will become effective on May 15, 2001 (the "Effective Date").

In conjunction with the implementation of the Instrument, section 184 of the Commission Rules has been repealed, also with effect on the Effective Date.

Background

Securities legislation requires insiders to disclose their ownership of and trading in securities of reporting issuers. Insider reporting is intended in part to deter illegal insider trading and also to foster confidence in capital markets by providing investors with information concerning the trading activities of substantial security holders and other insiders of reporting issuers.

The term "insider" under securities legislation (other than in Québec, where the term is defined slightly differently) includes any person or company beneficially owning, directly or indirectly, or exercising control or direction over, voting securities of a reporting issuer carrying more than 10 percent of the voting rights attached to all voting securities of the reporting issuer. Every director or senior officer of an insider of a reporting issuer is also an insider of the reporting issuer. Issuers are insiders of themselves in respect of purchases of their own shares. Securities legislation (other than in Québec) also stipulates that a company is deemed to beneficially own securities beneficially owned by its affiliates.

As a consequence of these definitions, insider reporting obligations are imposed on persons who may have only a very limited and indirect relationship to a particular reporting issuer. They can also apply to trades and events that do not necessarily involve an investment decision.

Canadian securities regulatory authorities recognize that strict adherence to the insider reporting requirements can in certain circumstances be unnecessarily burdensome. They have, in response to specific applications, routinely provided exemptive relief in these circumstances. As noted in the Policy, outstanding exemption orders, unless they otherwise provide, will remain in effect after implementation of the Instrument.

The Instrument is being implemented in advance of National Instrument 55-102 *System for Electronic Disclosure by Insiders (SEDI)* ("NI 55-102"), which would establish an electronic filing system for insider trading reports. Although certain provisions of the Instrument were developed with a view to implementation of NI 55-102, this Instrument is not dependent upon NI 55-102.

Purpose and Substance of the Instrument

The Instrument provides exemptions from the obligation to file insider reports under Canadian securities legislation. These exemptions are largely consistent with relief currently available under Alberta securities laws or routinely granted by the Commission pursuant to applications for discretionary exemptions. The Instrument serves to codify and harmonize the terms of such exemptions across Canada.

The Instrument provides either full exemptions from insider reporting obligations or partial exemptions that contemplate alternative methods of satisfying the insider reporting obligation, for four primary categories of insider or transaction:

- Complete exemption from the obligation to file insider reports is provided for persons who are insiders of a reporting issuer only by reason of being directors or senior officers of minor subsidiaries of a reporting issuer or of affiliates of other insiders of the reporting issuer, and who do not have access to undisclosed material information concerning the reporting issuer.
- Directors and senior officers of a reporting issuer or of a subsidiary of the reporting issuer can report acquisitions of securities of the reporting issuer under automatic securities purchase plans annually or, in the case of securities so acquired that are then disposed of before the annual filing deadline, by the usual deadline for reporting the disposition.
- Issuers can satisfy the insider reporting requirement concerning acquisitions of their own securities under normal course issuer bids by filing monthly reports.
- In the case of a change in an insider's ownership or control over securities of a reporting issuer arising from an event that affects all holdings of securities of that class in the same manner, such as a stock dividend, stock split, consolidation or amalgamation, the insider reporting obligation can be satisfied by disclosure of the change at the time of their next required insider report.

Conditions and restrictions on these exemptions are specified in NI 55-101 and further explanation and guidance is provided in the Policy.

The Instrument replaces the relief previously provided under section 184 of the Commission rules and similar provisions of the securities legislation of other jurisdictions; these provisions have been repealed with effect as of the Effective Date. The Instrument will also replace certain local policies of other jurisdictions, including Ontario Securities Commission Policy 10.1, British Columbia Securities Commission Local Policy Statement 3-14 and Policy Statement No. Q-10 of the Commission des valeurs mobilières du Québec.

Prior Publication and Public Comment

The CSA published earlier versions of the Instrument for public comment on August 20, 1999 (at (1999) 8 ASCS 2349) and June 16, 2000 (the "2000 Proposal", at (2000) 9 ASCS 2161). Accompanying notices provided further background and commentary on the instrument.

The CSA received two comment letters on the 2000 Proposal. The comments and the CSA responses are summarized in the Appendix to this Notice. The CSA have also made non-material changes to the Instrument in an effort to clarify or simplify terminology and requirements.

Further Information

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**APPENDIX
TO
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**Summary of Public Comments
on the 2000 Proposal
and CSA Responses**

Two comment letters were received, one from Torys and one from the Canadian Bankers Association, in response to the request for comments on the 2000 Proposal, published for comment on June 16, 2000.

General Comments

One commenter recognized the significant steps taken by the CSA to streamline and decrease the administrative burden with respect to reporting requirements and commended the CSA on the changes made.

**Definition of Senior Officer in Securities Legislation --
Narrow Insider Reporting Requirements**

A commenter submitted that the definition of "senior officer" should be changed. The commenter recommended relief from insider reports filed by vice presidents who are not in a position to receive non-public material information in the ordinary course, on the basis that such filings represent an unnecessary burden which does little to further the objectives of the legislation.

The commenter submitted that a senior officer who satisfies the following criteria should be exempt from the insider reporting requirement:

- a) the senior officer is a vice president;
- b) the senior officer is not in charge of a principal business unit, division or function of the reporting issuer or subsidiary, as the case may be;
- c) the senior officer does not receive, in the ordinary course, information as to material facts or changes concerning the reporting issuer before the material facts or changes are generally disclosed; and
- d) the senior officer is not an insider of the reporting issuer or a subsidiary in any other capacity.

The CSA determined that the Instrument should not be changed at this time to narrow the definition of "senior officer" for insider reporting purposes. Such an amendment was beyond the current scope and time frame for implementation of the Instrument. As indicated in the notice accompanying the 2000 Proposal, the CSA believe that this comment raises broader issues which require significant further consideration, which consideration could not appropriately occur within the time period for the adoption of the Instrument. The CSA are currently reviewing this matter and it is possible that such review may lead to proposals for future amendments to the Instrument.

Normal Course Issuer Bid Reporting

One commenter suggested that consideration be given to providing that normal course issuer bids effected in compliance with the requirements of the rules of The Toronto Stock Exchange (and other exchanges with similar reporting rules) be exempt from the requirement to file an insider report, on the basis that the requirements of the TSE already require reporting of all the relevant information that is contained in an insider trading report within 10 days after the end of each month in which acquisitions occur.

The CSA determined not to make any changes to the Instrument in this regard. The CSA note that the exemption under NI 55-101 that permits issuers to disclose acquisitions of securities under a normal course issuer bid within 10 days of the end of the month in which the acquisitions occur provides new relief from the current insider reporting requirement to file such reports within 10 days of each acquisition under normal course issuer bids. In addition, it is the CSA's understanding that the information required to be reported to exchanges is somewhat different from that required under the insider reporting requirement and, in addition, the information which is made available to the public through the reports to the exchanges also differs from that provided through the insider reporting requirement. It is also the understanding of the CSA that information disseminated by the exchanges is less widely available to the public than that provided by the current insider reporting requirement. Moreover, it is the CSA's understanding that exchanges accept insider trading reports as being sufficient for their reporting purposes, so that there is an opportunity for issuers to reduce the time spent in preparing their filings in this regard.

For all these reasons, the CSA determined not to make the suggested change.