

**NOTICE OF PROPOSED
NATIONAL INSTRUMENT 55-102,
FORMS 55-102F1, 55-102F2, 55-102F3, 55-102F4
AND 55-102F5, COMPANION POLICY 55-102CP
SYSTEM FOR ELECTRONIC DATA ON INSIDERS (SEDI)**

Substance and Purpose of Proposed National Instrument

The System for Electronic Data on Insiders known as SEDI is an initiative of the Canadian Securities Administrators (the "CSA") that will facilitate filing and public dissemination of insider reports in electronic format through an Internet web site. The proposed rules governing the electronic filing of insider reports through SEDI are set forth in a proposed National Instrument, five related Forms and a Companion Policy (collectively, the "proposed instruments"). The text of each proposed instrument accompanies this Notice.

The proposed National Instrument defines "SEDI issuers" to mean reporting issuers, other than mutual funds, that are required to file disclosure documents in electronic format through SEDAR¹ and provides that insiders of these SEDI issuers are required to file their insider reports in electronic format through SEDI. To facilitate electronic filing of insider reports, the proposed National Instrument also provides that SEDI issuers are required to file certain information electronically through SEDI. Insiders of reporting issuers that do not file their disclosure documentation in SEDAR will continue to file insider reports in paper format.

The objective of SEDI is to allow insiders of most reporting issuers to file their insider reports in electronic format over the Internet using commonly available web browsers. Furthermore, by filing an insider report in SEDI, an insider will be able to satisfy the requirements of the securities legislation of all CSA jurisdictions that have insider reporting requirements. Insiders are currently required to file separately by paper or facsimile in each applicable jurisdiction.

The National Instrument is being proposed for implementation as a rule, regulation or other appropriate instrument in each of the CSA jurisdictions where insider reporting requirements have been adopted.

Summary of Proposed National Instrument

The proposed National Instrument sets out the principal requirements and procedures relating to electronic filing of insider reports and other related information.

Insider Profiles

Before filing an insider report in SEDI, an insider will be required to file an insider profile in electronic format containing information identifying the insider and the insider's relationship to one or more SEDI issuers. The information required to be provided in the insider profile is prescribed by Form 55-102F1 and consists principally of the information required to be included in the existing form of insider report that typically would not change as a result of changes in the insider's security holdings. An insider will be required to file an amended insider profile in SEDI format within 10 days following any change in the information contained in its insider profile.

Insider Reports

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SEDAR is the acronym for System for Electronic Document Analysis and Retrieval, the computer system implemented by the CSA to facilitate electronic filing of disclosure documents under Canadian securities legislation.

Once an insider profile has been filed in SEDI, insider reports may be filed electronically by or on behalf of the profiled insider. The information required to be included in an insider report filed electronically is prescribed in Form 55-102F2. Insider reports filed in SEDI format will contain information substantially similar to that which is contained in the existing paper form of insider report with the addition of a separate section for third party derivative securities to facilitate insider reporting of trades in exchange-traded or over-the-counter options or other derivatives.

Since the reports will be filed as data, and prepared within the system, SEDI will be able to pre-populate certain form information (e.g. opening balances of securities held), automatically perform certain calculations (e.g. closing securities balances) and perform various edit checks (e.g. ensure all required fields have been completed with valid data) prior to allowing transmission of the completed online report through SEDI. It is expected that this function will significantly reduce the number of deficient insider reports filed.

Securities legislation in several CSA jurisdictions currently requires insiders to report their trades within 10 days after the date of the trade. Securities legislation in other jurisdictions such as British Columbia requires insiders to report their trades within 10 days after the end of the month in which the trade occurs. Upon implementation of the proposed National Instrument, the securities legislation in British Columbia will require insider reports to be filed within 10 days after a trade is made. The requirement to report trades within 10 days in several jurisdictions combined with the implementation of electronic filing and dissemination of insider reports will ensure that the trading activities of insiders will become much more transparent.

Issuer Filing Requirements Under SEDI

All SEDI issuers will be required to file a supplement to their SEDAR issuer profiles through SEDI. This issuer profile supplement will facilitate the filing of insider reports using information provided by the SEDI issuer. Initially, the issuer profile supplement must disclose the designation of each outstanding security or class or series of outstanding securities issued by the SEDI issuer. The issuer profile supplement must be filed within 3 business days of the date that the proposed National Instrument becomes effective or the date that the issuer becomes a SEDI issuer, as applicable. When there is a change in information or an issuance of a security or class or series of securities that is not already disclosed in the issuer profile supplement, the SEDI issuer must file an amended issuer profile supplement in SEDI format immediately.

Every SEDI issuer must also file an issuer event report immediately following the occurrence of an "issuer event", which includes a stock dividend, stock split, consolidation, amalgamation, reorganization, merger or other similar event that affects all holdings of a class of securities of the SEDI issuer in the same manner. Issuer event reports must include the information prescribed by Form 55-102F3. Issuer event reports will be displayed for the issuer's insiders in SEDI, thereby assisting these insiders to report changes in their security holdings resulting from issuer events.

Development and Operation of SEDI

The system is being developed according to specifications established by the CSA and will allow insiders of SEDI issuers or their filing agents to file insider reports over the Internet using commonly available web browsers (with no other specialized software requirement). CDS INC. ("CDS") the subsidiary of The Canadian Depository for Securities Limited currently operating SEDAR, has been appointed by the CSA to act as project manager for this undertaking and to operate SEDI upon its implementation. CDS is currently working with the CSA toward the development of the system.

It is currently anticipated that SEDI will be available to receive filings 24 hours a day, 7 days a week,

subject to service interruptions for maintenance and other technical requirements.

User Registration

Currently, individuals in a variety of capacities are involved in filing insider reports in paper format with the securities regulatory authorities. Individual insiders, representatives of company insiders and lawyers or other agents are typically participants in the insider reporting process. In SEDI, any individual wishing to access the system to make a filing will be required to register with CDS, the system operator. Individuals will be able to register for this purpose by going to the SEDI web site and completing an online registration form. The information required to be provided for user registration purposes is set out in Form 55-102F4.

For security purposes, the individual user will be required to print and sign a paper copy of the registration form and deliver the signed copy to CDS by prepaid mail, courier or facsimile. An individual that has completed the online user registration process may immediately proceed to make filings in SEDI. However, any insider reports or other information submitted through SEDI prior to completion of this registration process will not be considered filed or made publicly accessible until CDS confirms to the securities regulatory authorities that the paper copy of the individual user's registration form has been completed, signed and delivered as required.

Security Access Keys

In order to permit insiders and issuers that are required to file information in SEDI to control information filed by others on their behalf, it is proposed that SEDI will issue alpha-numerical access keys to insiders and issuers when their profiles or profile supplements are first created in SEDI. Thereafter, any filing of information in SEDI on behalf of an insider or issuer will require the use of the access key assigned to that insider or issuer. Insiders and issuers will be able to provide their access key to authorized representatives and filing agents from time to time to facilitate filing on their behalf but will be able to obtain a new access key at any time, thereby retaining ultimate control over those who are permitted to file information in SEDI on their behalf.

Jurisdiction of Filing

Under the proposed National Instrument, upon the filing of an insider report in SEDI, it will be considered to have been filed in each jurisdiction where the particular insider is required to satisfy an insider reporting requirement under applicable securities legislation.

Certification Requirements

The proposed National Instrument does not require signatures on SEDI filings. However, the insider or any agent acting on the insider's behalf will be required to certify by electronic means that the information filed electronically in an insider profile or insider report is true and complete in every respect. In the case of a filing agent, the certification is based on the agent's best knowledge, information and belief but the insider is still responsible for ensuring that the information filed by the agent is true and complete.

Temporary Hardship Exemption

The proposed National Instrument contains a temporary hardship exemption that will permit an insider to make a filing in paper format rather than in SEDI format if short term technical difficulties arise in filing an insider report in SEDI format. This exemption will require insiders to file initially in paper format within a prescribed timeframe and will require them to make a SEDI filing once the technical difficulties have been resolved. An insider report filed in paper format must be prepared in accordance with Form 55-102F5.

Other Exemptive Relief

The proposed National Instrument provides that the regulator or the securities regulatory authority may grant an exemption to the National Instrument.

Proposed Implementation Date

The CSA believe that it is in the public interest to implement electronic filing and dissemination of insider reports as soon as possible. It is anticipated that the proposed electronic filing and dissemination system will be fully developed and ready to accept electronic filings on or about December 4, 2000. Accordingly, this date has been included in the proposed National Instrument as the effective date.

The CSA recognizes that SEDI issuers and insiders may have concerns with respect to the transition from paper filing to electronic filing, particularly with respect to the requirement that SEDI issuers file the issuer profile supplement within 3 business days of the effective date of the National Instrument. The CSA is considering whether special transitional provisions are necessary and would welcome any specific comments on this issue.

Paper Filing Regime

As noted previously, the proposed National Instrument provides that insiders of non-SEDI issuers must continue to file insider reports in paper format. The existing form of insider report used in the CSA jurisdictions with insider reporting requirements has been adopted for this purpose and designated as Form 55-102F5. No material changes have been made to the existing form.

In addition, section 150 of the Securities Act (Alberta)("Act"), which requires that an insider report be filed where voting securities are registered in the name of a person or company, other than the beneficial owner, who is known to be an insider (except where there was a transfer for the purpose of giving collateral for a genuine debt), is not affected by the proposed instruments and, consequently, any reports required to be filed under this section will continue to be filed in paper format.

Subsection 158(1) of the Act, which requires a management company to file a report where there are certain transactions (e.g. a purchase, sale or loan) between a mutual fund and any related person or company, is not affected by the proposed instruments and, consequently, any reports required to be filed under this section will continue to be filed in paper format.

Federal Insider Reporting Requirements

It is noted that SEDI only supports filing under provincial securities legislation. Consequently, insider reports filed in SEDI may not satisfy insider reporting requirements under federal legislation.

Early Warning Reports/Alternative Monthly Reports

Early Warning Reports and Alternative Monthly Reports disclosing ownership of 10% or more of a class of equity securities of a SEDAR reporting issuer are currently required to be filed as documents in SEDAR and this will continue to be the case after SEDI is implemented. The CSA is considering the possible development of functionality to provide a link in SEDI to Early Warning Reports and Alternative Monthly Reports filed in SEDAR. This is being considered because there is an exemption from the insider reporting requirements if an insider files an Early Warning Report or Alternative Monthly Report in respect of a trade. In the absence of an appropriate link between SEDI and SEDAR, information concerning positions and trades of insiders relying on this exemption will not be available through SEDI.

Summary of Companion Policy

The proposed Companion Policy provides notice of the decision of the applicable securities regulatory authorities and regulators to refrain from disclosing certain personal information filed in SEDI by or on behalf of an insider. Information that will not be made publicly available includes the insider's address (except the insider's municipality, province, territory, state and/or country), telephone number, facsimile number, e-mail address and any election to receive correspondence in French or English.

The proposed Companion Policy also provides notice of the determination of the applicable securities regulatory authorities and regulators that SEDI information to be made available to the public will be disseminated through the SEDI web site and that a requirement to produce an originally certified copy of information filed in SEDI will be satisfied through the production of a printed copy or other output certified by the regulator.

Anticipated Benefits and Costs

The CSA believe that the adoption of the proposed National Instrument would provide significant benefits to filers as well as to the Canadian securities regulatory authorities. The proposed implementation of electronic filing through SEDI would make the process more efficient for filers in preparing and filing information with the securities regulatory authorities, and for the securities regulatory authorities in retrieving, storing and processing such information. The CSA also believe that the investing public will benefit as a result of the faster and more efficient dissemination of the reported information that is anticipated with electronic filing.

In particular, SEDI will benefit insiders, the securities regulatory authorities and the securities market by:

- permitting insiders to securely file insider reports in electronic format over the Internet using commonly available web browsers;
- permitting insiders to satisfy the legislative requirements of all CSA jurisdictions by filing insider reports once on a system which is available to users 24 hours a day, 7 days a week, subject to service interruptions for maintenance and other technical requirements;
- improving public access to insider reports by making such reports available on a web site shortly after they are filed;
- reducing duplication of efforts by regulators by facilitating a co-ordinated approach to reviewing insider reports;
- increasing the ability of regulators to effectively monitor compliance with insider reporting requirements; and
- automating processes that were previously manual (such as editing and validation checks) and producing exception reports (such as reports of late filings), thereby permitting the CSA to focus regulatory resources on substantive review.

Insiders will not be charged fees for filing in SEDI. Rather, it is proposed that CDS will fund the start-up costs and recover these costs over five years by means of an annual service charge applied by CDS to reporting issuers that file documents through SEDAR. It is contemplated that the annual service charge

would vary, depending on the type of reporting issuer. Single jurisdiction issuers would be charged \$250, multi-jurisdiction issuers would be charged \$750 and Prompt Offering Qualification System (POP) issuers would be charged \$2,500.

Conflicting Regulations - Alberta

The implementation of the proposed National Instrument requires that the following amendments to the Alberta Securities Commission ("ASC") Rules be made:

1. section 182, which provides that insider reports required to be filed under section 147 of the Act be completed in accordance with Form 36, will be amended to provide that insiders must file a report prescribed by the National Instrument;
2. section 185, which provides that a report completed in accordance with Form 36 that is filed with the Executive Director may contain a facsimile signature if an original manually signed copy is filed concurrently with a securities commission in Canada designated by the Commission for the purpose of accepting such filings, will be amended to change the form reference and to make this provision inapplicable to SEDI filings;
3. section 186.1, which provides that the sending of the report by sending the report by way of facsimile to the number specified by the Commission, will be amended to make this provision inapplicable to SEDI filings; and
4. section 197, which provides that documents required to be signed or certified, be manually signed and include below the signature, the name of the individual in typewritten or printed form, will be amended to make this provision inapplicable to SEDI filings.

In addition, the ASC Notice accompanying proposed National Instrument 55-101 Exemption From Certain Insider Reporting Requirements ("NI 55-101") states that the ASC proposes to revoke subsections 184(1) and (2) upon implementation of NI 55-101. It is proposed that these provisions, which are described below, will be replaced by the new exemptions that will be available to insiders under NI 55-101.

Subsection 184(1) provides that upon the occurrence of a stock dividend, stock split, consolidation, amalgamation, reorganization, merger or other similar corporate event that affects all holdings of a class of securities in the same manner, on a per share basis, the reporting requirements of Part 14 of the Act will be deemed to have been satisfied as they apply to a holder of the class of securities of the issuer that is affected, if an officer of the issuer files written notice of the event, including a description of the effect on each class of securities of the issuer that is affected, within 10 days of the event.

Subsection 184(2) provides that upon the acquisition by a person or company of securities of an issuer through a stock dividend plan, share purchase plan or other plan available to a class of security holders, employees or management of an issuer, the reporting requirements of Part 14 of the Act will be deemed to have been satisfied as they apply to a person or company where an officer of the issuer files written notice, including a description of the transaction and the effect on the holdings of the person or company within 10 days of the transaction.

Amendment to ASC Policy 2.2

The adoption of the Companion Policy providing for confidential treatment of certain information filed by

insiders in SEDI will require that ASC Policy 2.2, section 3.4, which provides for the public availability of reports filed under section 147 of the Act, be amended to make this provision inapplicable to reports filed under section 147 in SEDI format.

CSA Notice 55-301 Filing Insider Reports by Facsimile and Exemption Where Minimal Connection to Jurisdiction

Upon the implementation of the proposed instruments, CSA Notice 55-301, which documents the acceptance of insider reports filed by facsimile by certain CSA jurisdictions and which sets out the minimal connection exemptions of certain insiders in Manitoba, Saskatchewan and Nova Scotia, will not be applicable to insiders that are required to make SEDI filings.

Comments

Interested parties are invited to make written submissions with respect to the proposed instruments.

Submissions received by September 14, 2000 will be considered. In view of the CSA's belief that it is in the public interest to implement SEDI as soon as the system is available, this deadline will be strictly observed.

Submissions should be sent to all Canadian securities regulatory authorities listed below in care of the Ontario Securities Commission in duplicate, as indicated below.

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Securities Commission
The Manitoba Securities Commission
Ontario Securities Commission
Office of the Administrator, New Brunswick
Registrar of Securities, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland
Registrar of Securities, Northwest Territories
Registrar of Securities, Nunavut
Registrar of Securities, Yukon Territory

c/o John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
Suite 800, Box 55
Toronto, Ontario
M5H 3S8
jstevenson@osc.gov.on.ca

Submissions should also be addressed to the Commission des valeurs mobilières du Québec as follows:

Claude St Pierre, Secrétaire
Commission des valeurs mobilières du Québec
800 Victoria Square
Stock Exchange Tower
P.O. Box 246, 23rd Floor
Montréal, Québec H4Z 1G3

A diskette containing an electronic copy of the submissions (in DOS or Windows format, preferably Microsoft Word) should also be submitted. As securities legislation in certain provinces requires a summary of written comments received during the comment period be published, confidentiality of submissions received cannot be maintained.

Questions may be referred to any of:

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Proposed National Instrument, Forms and Companion Policy

The texts of the proposed National Instrument, Forms and Companion Policy follow, together with footnotes that are not part of the proposed National Instrument but have been included to provide background and explanation.

DATED: June 16, 2000.