



British Columbia Securities Commission

2014 BCSECCOM 499

## Exemption Order

### **Aequitas Innovations Inc. (Aequitas) and Aequitas Neo Exchange Inc. (Aequitas Neo Exchange)**

#### **Section 33(1) of the *Securities Act*, RSBC 1996, c.418**

#### **¶ 1 Background**

The *Memorandum of Understanding respecting the Oversight of Exchanges and Quotation and Trade Reporting Systems* among the Alberta Securities Commission, l' Autorité des marchés financiers du Québec (AMF), the British Columbia Securities Commission (the Commission), the Manitoba Securities Commission, the Ontario Securities Commission (the OSC), and the Financial and Consumer Affairs Authority of Saskatchewan came into effect on January 1, 2010 (the MOU).

Aequitas and Aequitas Neo Exchange (the filers) filed with the OSC an application dated June 4, 2014 requesting recognition of each as an exchange (the recognition application). The filers filed an exemptive relief application with all other Canadian securities regulatory authorities on June 19, 2014. The filers selected the AMF as the principal exempting regulator for this application.

On November 17, 2014, the OSC issued an order dated November 13, 2014 recognizing each of Aequitas and Aequitas Neo Exchange as an exchange, subject to the terms and conditions set out in it (the recognition order). The recognition order will be effective on March 1, 2015.

Under the MOU, the OSC is designated the lead regulator for the filers.

#### **¶ 2 Interpretation**

Terms defined in National Instrument 14-101 – *Definitions* have the same meaning if used in this decision, unless otherwise defined.

In this decision,

“Aequitas Issuer” means an issuer with one or more classes of securities listed in accordance with and subject to the requirements set out in the Rules;

“Aequitas Member” means a member approved by Aequitas Neo Exchange to access the “Exchange Systems” (as such term is defined in the Rules), provided such access has not been terminated.



“Rule” means a rule, policy, or other similar instrument of Aequitas Neo Exchange, including, but not limited to, trading policies and listing manual.

“venture exchange” means the TSX Venture Exchange Inc. and, if such securities are traded on Aequitas Neo Exchange, the Canadian Securities Exchange

### ¶ 3 **Representations**

This decision is based on the following representations of the filers:

- Aequitas and Aequitas Neo Exchange will be carrying on exchange activities in Canada;
- at the time of granting this decision, Aequitas is the sole shareholder of Aequitas Neo Exchange, and BCE Inc., Barclays Corporation Limited, Brilliant Orange Holdings Ltd., CI Investments Inc., IGM Financial Inc., ITG Canada Corp., OMERS OCM Investments II Inc., PSP Public Markets Inc. and RBC Dominion Securities Inc. are each shareholders in Aequitas;
- near the time of the launch of Aequitas Neo Exchange, Aequitas will conduct a financing whereby additional voting shares will be issued to buy-side institutions, issuers and sell-side firms;
- as long as it will be necessary under applicable Canadian securities legislation, before approving an issuer to be listed on its market, Aequitas Neo Exchange will obtain from that issuer a copy of the undertaking that it will comply with Canadian securities legislation applicable to non-venture issuers signed in favour of the relevant Exempting Regulator (the “Issuer Undertaking”);
- the issuer will file the Issuer Undertaking on SEDAR;
- Aequitas Neo Exchange has offices in Toronto, Ontario and does not have an office in British Columbia;
- Aequitas Neo Exchange agrees to be subject to the oversight program established by the OSC from time to time in accordance with the provisions set forth in the MOU and to comply with the terms and conditions of the recognition order;
- Aequitas Neo Exchange will offer a wide range of services, in French and in English, to Aequitas Issuers and Aequitas Members;
- the filers are neither in default of securities legislation in any jurisdiction nor of the securities legislation of Ontario.



#### ¶ 4 **Order**

Based on the application and representations that the filers provided and considering that to do so would not be prejudicial to the public interest, the Commission orders under section 33(1) of the Act that Aequitas and Aequitas Neo Exchange are exempt from the recognition requirement provided that they comply with the following terms and conditions:

##### **1. Corporate Governance**

- a) The filers will ensure fair, meaningful and diverse representation on the governing body (the “Board”) and any committees of the Board, including:
  - (i) appropriate representation of independent directors;
  - (ii) a proper balance among the interests of the different persons or companies using the services and facilities of the Aequitas Neo Exchange, including regional interests.

##### **2. Continuing Recognition**

The filers will continue to be recognized as an exchange by the OSC and to comply with the terms and conditions of the recognition order.

##### **3. Oversight of the Exchange**

Aequitas Neo Exchange will be subject to the oversight program established by the OSC from time to time in accordance with the provisions of the MOU.

##### **4. Review and Approval of Rules**

- a) The review and approval of the Rules will be subject to the following procedure:
  - (i) all proposed amendments to the Rules filed with the OSC by Aequitas Neo Exchange will be concurrently filed with the AMF;
  - (ii) all proposed amendments to the Rules that are made public for comments will be concurrently made public in English and in French by Aequitas Neo Exchange;
  - (iii) the final versions of the Rules will be filed with the AMF and be approved by the OSC in English and in French.
- b) The Rules will be available in English and in French on the website of Aequitas Neo Exchange.



## 5. Listing Activities

- a) As long as it will be necessary under applicable Canadian securities Laws, before approving an issuer to be listed on its market, Aequitas Neo Exchange will obtain from that issuer a copy of the Issuer Undertaking.
- b) The Issuer Undertaking may be modified from time to time by the Commission.

## 6. Additional Information

- a) The filers shall file with the AMF any related information concerning Aequitas Neo Exchange that is required pursuant to National Instrument 21-101 - *Marketplace Operation* (NI 21-101).
- b) Aequitas Neo Exchange shall file with the AMF copies of its annual assessment of the performance by the Investment Industry Regulatory Organization of Canada (“IIROC”) of the regulation services it provides to Aequitas Neo Exchange, and of its self-assessment of the performance by Aequitas Neo Exchange of any regulation functions not performed by IIROC, and of the report provided to the Board, together with any recommendations for improvements. Aequitas Neo Exchange shall also file with the AMF a copy of any proposed actions arising therefrom and provided to the OSC.
- c) Aequitas Neo Exchange shall concurrently file with the AMF copies of these documents filed with the OSC:
  - (i) On a quarterly basis, reports summarizing all exemptions or waivers granted pursuant to the Rules to any Aequitas Issuer or Aequitas Member during the period. This summary must include the following information:
    - a. the name of the Aequitas Issuer or Aequitas Member;
    - b. the type of exemption or waiver granted during the period;
    - c. the date of the exemption or waiver;
    - d. a description of Aequitas Neo Exchange staff's reasons for the decision to grant the exemption or waiver.
  - (ii) On a quarterly basis, reports containing the following information:
    - a. the number of listing applications filed;
    - b. the number of listing applications that were accepted;
    - c. the number of listing applications that were rejected and the reasons for rejection, by Listing Market;



- d. the number of listing applications that were withdrawn or abandoned and, if known, the reasons why the application was withdrawn or abandoned, by Listing Market.
- (iii) Press releases setting out the reasons for the suspension of trading or delisting of an Aequitas Issuer's listed securities.

## **7. Activities**

- a) Aequitas Neo Exchange will communicate and offer a wide range of services in English and in French to Aequitas Issuers and Aequitas Members, including listing, continued listing and follow-up services, as well as membership services, of a quality equivalent to those offered in Ontario.
- b) Aequitas Neo Exchange must publish concurrently in English and in French each document issued to the public at large or generally to any Aequitas Member or Aequitas Issuer and must provide the document to the AMF immediately upon publication, including forms, releases, notices and other documents issued to Aequitas Members, Aequitas Issuers or to the public.
- c) The French version of the Web site of Aequitas Neo Exchange must be updated at the same time as the English version and must be comprised solely of French documents.

## **8. Access to Information**

- a) Subject to the terms of the MOU, Aequitas Neo Exchange will promptly provide the Commission when requested either directly or through the OSC, as the case may be, any information in the custody or control of Aequitas Neo Exchange or its affiliated entities, relating to Aequitas Members, Aequitas Issuers, the filers' shareholders, the market operations of Aequitas Neo Exchange, and compliance with this decision including but not limited to, member lists, products, trading information and disciplinary decisions, the whole in accordance with the provisions set out in the Legislation, privacy legislation, as well as in any other laws pertaining to the collection, use and disclosure of information and the protection of personal information applicable in British Columbia.
- b) The filers shall protect the confidentiality of the information provided to them in connection with their operations, in accordance with applicable laws in British Columbia.



## 9. Filings

- a) Beginning one year after launch of its trading services, Aequis Neo Exchange shall file with the Commission semi-annual reports that will provide:
  - (i) their analysis of the market makers' contribution to liquidity per symbol/book/day for assigned securities that are venture exchange listed securities, including:
    - a. the ratio of time that market makers have orders at the national best bid and national best offer
    - b. the actual effective spread
    - c. the actual effective aggregate size of orders at their best bid and offer separately
  - (ii) their analysis of the quality of the liquidity that market makers provide for venture exchange listed securities;
  - (iii) their analysis of market makers' use of the market maker volume allocation for venture exchange listed securities to take priority over orders already posted on Aequis Neo Exchange, including analysis of how often these orders take priority over other orders displayed on that exchange and the length of time since those existing orders were initially posted.
- b) Aequis Neo Exchange shall file with the Commission a copy of any amended Form 21-101F1 that is filed with the OSC under section 3.2 of NI 21-101, within 10 days of filing the form with the OSC, if the changes impact the market maker program for venture exchange listed securities.
- c) Aequis Neo Exchange shall file with the Commission a copy of the Form 21-101F3 that is filed with the OSC under section 3.3 of NI 21-101 for each quarter, within 30 days of the end of that calendar quarter.

If the filers fail to comply with one or more of the conditions set forth in this decision applicable to them, the Commission may review or revoke this decision.

This decision will become effective on March 1, 2015.

December 17, 2014.

Brenda Leong  
Chair