



British Columbia  
Securities Commission

# Regulatory Update

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This presentation

# TIME FOR A NEW NORMAL

- COVID-19 – recap of regulatory response
- Emerging topics
  - Including continuous disclosure review findings
- Regulatory burden reduction projects – an update



# COVID-19 - regulatory response

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- **Extension relief**
  - **Additional guidance**
  - **Observations**

# COVID-19 – Regulatory response

- **Observations**

- Reliance on the extensions – general trends
  - Evolution over time
  - Other
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# COVID-19 - regulatory response

- **Additional Guidance**

- CSA Guidance - COVID 19: Continuous Disclosure Obligations and Considerations for Issuers  
[https://www.bcsc.bc.ca/About Us/Events/Industry Events/COVID-19 Continuous Disclosure Obligations and Considerations for Issuers/](https://www.bcsc.bc.ca/About_Us/Events/Industry_Events/COVID-19_Continuous_Disclosure_Obligations_and_Considerations_for_Issuers/)
- CSA Staff Notice 51-361 *Continuous Disclosure Review Program Activities for the fiscal years ended March 31, 2020 and March 31, 2019*  
<https://www.bcsc.bc.ca/securities-law/law-and-policy/instruments-and-policies/5-ongoing-requirements-for-issuers-insiders/current/51-361>

# Emerging topics

- **CSA Staff Notice (SN) 51-361 *Continuous Disclosure Review Program Activities for the fiscal years ended March 31, 2020 and March 31, 2019***
  - Findings and hot topics
  - COVID-19 related impacts
- **Findings resulting from prospectus review activity**



# CSA SN 51-361

- **Financial statement deficiencies**
  - **Intangible assets: recognition and measurement**
    - Consider share-based payments
  - **Impairment of non-financial assets**
    - Consider indicators of impairment at each reporting period (i.e. not limited to an annual basis)
  - **Reporting and operating segment disclosures**
  - **Significant judgments and estimation uncertainties – COVID-19**

# CSA SN 51-361

- **MD&A deficiencies**
  - **Forward-looking information**
    - **Avoid boilerplate disclosure**
    - **Identify material factors or assumptions used to develop FLI**
    - **Update previously-disclosed material FLI**
  - **Liquidity and Capital Resources**
    - **Insufficient analysis provided, especially if negative cash flow from operations**
  - **Transactions between related parties**



# CSA SN 51-361 – Other topics

- **Problematic promotional disclosure**
  - Overly promotional disclosure and SN 51-356 *Problematic promotional activities by issuers*
- **Insider reporting – insiders & issuers**
  - Late, incorrect or missing filings
  - Ensure consistency between SEDI filings and CD record
- **Other**
  - Early warning reporting; material change reporting; technical disclosures

# Prospectus review activity





# Prospectus review activity

- **Active sectors**

- Mining
- Functional mushrooms, psilocybin and other psychedelics
- Life Science
- Cannabis

- **Findings**

- Sufficiency of financial and operational history
- Complex structures may complicate assessment of 'issuer'

# Areas of focus for year-end reporting





# COVID-19 related impacts

- **MD&A**

- Operations – demand, prices, closures, inability to complete projects, restructurings, government subsidies, HR resourcing, strategies
- Qualitative, quantitative (where practicable), entity-specific, balanced?
- Trends, commitments, uncertainties? (FLI)
- Any use of proceeds from prior financings that need to be updated (including impact of variances)?
- Impact on liquidity
- Risk factor disclosure

# COVID-19 related impacts

- **Internal control over financial reporting and disclosure controls & procedures**
  - Non-venture issuer
  - Venture issuer
- **Forward looking information**
  - Update or withdrawal of previously disclosed FLI required?
  - If disclosed, ensure:
    - Reasonable basis
    - Material risk factors identified
    - Assumptions used to develop disclosed

# COVID-19 related impacts

- **Non-GAAP financial measures**
  - Labelling
  - If “COVID-related” adjustment, is there sufficient explanation (including assumptions used to calculate)?
  - Basis to identify as “Non-recurring, unusual, or infrequent”?
  - If new NGM related to COVID, usefulness explained?



# COVID-19 related impacts

- **Financial statement impacts**
  - **Significant judgments and estimation uncertainty**
    - **Areas where entity may be impacted (non-exhaustive):**
      - **Going concern (including “close call” disclosures)**
      - **Impairment**
      - **Fair value**
      - **Revenue recognition**
  - **Government assistance**
    - **Identify the grant, disclose company’s accounting policy, and any identify conditions to be fulfilled**
    - **Consider presentation options**

# COVID-19 related impacts

- **Financial statement impacts**
  - **Impairment**
    - Test if indicator of impairment at reporting date, but at least annually
    - If impaired, identify the events and circumstances (specific) that led to recognition of impairment loss
  - **Fair value**
    - Key assumptions and inputs
    - Sensitivity analysis
  - **Provisions, including restructuring**
  - **IFRS 16 *Leases* – COVID-19 practical expedient**
  - **Expected credit losses**

# Burden reduction projects



- **Facilitating ATM offerings**
- **BAR – modify requirements**
- **Alternative prospectus model**
- **Revisiting ‘primary business’ requirements**
- **CD requirements**
- **Electronic delivery**



# Burden reduction projects – an update





# Facilitating at-the-market (ATM) offerings



- **Changes to NI 44-102 *Shelf Distributions***
- **Project goal - codification of ATM relief with enhancements**
  - Prospectus delivery and form requirements
  - Removal of 10% aggregate cap
  - No daily liquidity cap or highly liquid securities requirement
  - Removal of references to ATM exchange
- **Effective date – August 31, 2020**



# Business acquisition reporting (BAR)

- **Changes to NI 51-102 *Continuous Disclosure Obligations***
- **Significance for non-venture issuers – must trigger two of three existing tests (previously only one test)**
- **threshold for significance increased from 20 per cent to 30 per cent**
- **Effective date – November 18, 2020**





# Other recent CSA publications

- **Notice and Request for Comment – Proposed amendments to National Instrument 45-106 Prospectus Exemptions (Offering Memorandum)**
- **CSA Staff Notice 43-311 *Review of Mineral Resource Estimates in Technical Reports***
- **CSA Staff Notice 43-310 Confidential Pre-File Review of Prospectuses (for non-investment fund issuers)**
- **National Instrument 45-110 *Start-Up Crowdfunding Registration and Prospectus Exemptions***



# What else is on the regulatory horizon?



- **Policy projects related to financial reporting**
  - Non-GAAP and Other Financial Measures
  - Investment funds – burden reduction
- **SEDAR+ (formerly National Systems Renewal Project)**

# Questions



# More information

[www.bcsc.bc.ca](http://www.bcsc.bc.ca)

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