

**CSA Notice of
Publication of National Instrument 45-110 *Start-up Crowdfunding
Registration and Prospectus Exemptions***

June 23, 2021

Introduction

The Canadian Securities Administrators (the **CSA** or **we**) are publishing in final form:

- National Instrument 45-110 *Start-up Crowdfunding Registration and Prospectus Exemptions* (**NI 45-110**), including:
 - Form 45-110F1 *Offering Document*
 - Form 45-110F2 *Risk Acknowledgement*
 - Form 45-110F3 *Funding Portal Information*
 - Form 45-110F4 *Portal Individual Information*
 - Form 45-110F5 *Semi-Annual Financial Resources Certification*
- CSA Staff Notice 45-329 *Guidance for using the start-up crowdfunding registration and prospectus exemptions*, including:
 - Appendix 1 – *Start-up Crowdfunding Guide for Businesses* (the **Guide for Businesses**)
 - Appendix 2 – *Start-up Crowdfunding Guide for Funding Portals* (the **Guide for Funding Portals**)

Collectively, the **Guide for Businesses** and the **Guide for Funding Portals** are referred to as the **Guides** in this Notice and NI 45-110 and the Guides are collectively referred to as the **Start-up Crowdfunding Rule**.

We are also making consequential changes to:

- National Instrument 13-101 *System for Electronic Document Analysis and Retrieval (SEDAR)* (**NI 13-101**)
- National Instrument 45-102 *Resale of Securities* (**NI 45-102**)

Provided all necessary ministerial approvals are obtained, the Start-up Crowdfunding Rule and the consequential amendments to NI 13-101 and NI 45-102 will come into force September 21, 2021. We are publishing the text of the Start-up Crowdfunding Rule and amending instruments to NI 13-101 and NI 45-102 that identifies the consequential changes to those instruments concurrently with this notice. Where applicable, Annex E of this Notice provides information about each of the jurisdiction's approval process.

Substance and Purpose

The Start-up Crowdfunding Rule provides a harmonized national framework to facilitate securities crowdfunding for start-ups and early stage issuers. NI 45-110 provides:

- an exemption from the prospectus requirement (the **start-up crowdfunding prospectus exemption**) that allows an issuer to distribute eligible securities through an online funding portal; and
- an exemption from the dealer registration requirement for funding portals that facilitate online distributions by issuers relying on the start-up crowdfunding prospectus exemption.

We are publishing the Guides to assist funding portals and issuers in understanding the requirements under NI 45-110.

Background

On May 14, 2015, the securities regulatory authorities of British Columbia, Saskatchewan, Manitoba, Québec, New Brunswick and Nova Scotia adopted substantially harmonized registration and prospectus exemptions to allow start-ups and early stage issuers to raise capital in these jurisdictions under a tailored framework for securities crowdfunding. On October 2, 2019 and July 30, 2020, respectively, the securities regulatory authorities of Alberta and Ontario also adopted substantially harmonized registration and prospectus exemptions (the securities regulatory authorities in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick and Nova Scotia collectively being the **blanket order jurisdictions**). The blanket order jurisdictions implemented the registration and prospectus exemptions by way of local blanket orders, as amended from time to time (the **start-up crowdfunding blanket orders**).

Since adoption in 2015, CSA staff have heard from market participants that a harmonized regulatory framework tailored for securities crowdfunding available across Canada would foster the use of securities crowdfunding as an alternative for start-ups and early stage issuers to raise capital. As a result, the CSA proposed NI 45-110 with prospectus and registration exemptions similar to the prospectus and registration exemptions in the start-up crowdfunding blanket orders. We have also proposed targeted enhancements to improve the effectiveness of crowdfunding as a capital raising tool for start-ups and early stage issuers, while maintaining adequate investor protection. In the blanket order jurisdictions, NI 45-110 is proposed to replace the start-up crowdfunding blanket orders.

Summary of Written Comments Received by the CSA

On February 27, 2020, the CSA published the proposed rule for comment to improve the harmonization of the regulatory framework for securities crowdfunding by start-ups and early stage issuers. The comment period ended on July 13, 2020. During the comment period, we received submissions from ten commenters.

We have considered the comments received and thank the commenters for their input. The commenters' names and a summary of their comments, together with our responses, are contained in Annex B of this notice.

Summary of Changes to the Proposed Instrument

We have revised the Start-up Crowdfunding Rule to:

- increase the individual investment limit from \$5,000 for each purchaser, if the purchaser has obtained advice from a registered dealer that such investment is suitable for the purchaser, to \$10,000;
- increase the limit on aggregate proceeds raised by the issuer group during a 12-month period from \$1,000,000 to \$1,500,000;
- include shares in the capital of an association (commonly known as a co-operative) in the definition of "eligible securities";
- revise the annual financial resources certification (previously termed the working capital certification) to a semi-annual certification, with the term of certification reduced from 12 months to 6 months; and
- include a condition of the prospectus exemption that an issuer have operations other than to identify and evaluate assets or a business with a view to completing an investment in, merger with, amalgamation with or acquisition of a business, or a purchase of the securities of one or more other issuers.

As we do not consider these to be material changes, we are not republishing NI 45-110 for a further comment period. A comparative chart of the key differences, on a cumulative basis, between NI 45-110 and the start-up crowdfunding blanket orders is provided in Annex A.

Local Matters

Because NI 45-110 will replace the start-up crowdfunding blanket orders, the securities regulatory authorities of the blanket order jurisdictions anticipate their respective start-up crowdfunding blanket orders will cease to have effect by 90 days after the date the Start-up Crowdfunding Rule comes into force.

Annex E is being published in any local jurisdiction that is proposing related changes to local securities laws, including local notices or other policy instruments in that jurisdiction. It may also include additional information that is relevant to that jurisdiction only.

Questions

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Contents of Annexes

This notice contains the following Annexes:

Annex A – Key differences between the registration and prospectus exemptions under National Instrument 45-110 Start-up Crowdfunding Registration and Prospectus Exemptions and the Start-up Crowdfunding Registration and Prospectus Blanket Orders

Annex B – Summary of Comments and Responses

Annex C – National Instrument 45-110 *Start-up Crowdfunding Registration and Prospectus Exemptions*

Annex D – CSA Staff Notice 45-329 *Guidance for using the start-up crowdfunding registration and prospectus exemptions*

Annex E – Local Matters

ANNEX A

Key differences between the registration and prospectus exemptions under National Instrument
45-110 Start-up Crowdfunding Registration and Prospectus Exemptions and the Start-up
Crowdfunding Registration and Prospectus Blanket Orders

ANNEX B
SUMMARY OF COMMENTS AND RESPONSES

ANNEX C

**NATIONAL INSTRUMENT 45-110 *START-UP CROWDFUNDING REGISTRATION
AND PROSPECTUS EXEMPTIONS***

ANNEX D

CSA Staff Notice 45-329 *Guidance for using the start-up crowdfunding registration and prospectus exemptions*

ANNEX E
LOCAL MATTERS