

1982, chapter 48
SECURITIES ACT

Bill No. 85

Introduced by Mr Jacques Parizeau, Minister of Finance

First reading: 21 June 1982

Second reading: 16 November 1982

Third reading: 16 December 1982

Assented to December 1982

Coming into force: by proclamation of the Government

— 19 January 1983: ss. 150, 160, 300, 301, 331 to 335, 348, 353, 354
G.O., 1983, Part 2, p. 824

Acts amended:

Securities Act (1982, chapter 48)

Cooperative Associations Act (R.S.Q., chapter A-24)

Taxation Act (R.S.Q., chapter I-3)

Licenses Act (R.S.Q., chapter L-3)

Companies Information Act (R.S.Q., chapter R-22)

Act respecting cooperative agricultural associations (R.S.Q., chapter S-24)

Acts replaced:

Securities Act (R.S.Q., chapter V-1)

Act to amend the Securities Act in its applicability to the Contract of concession or of franchising (1979, chapter 79).



CHAPTER 48

Securities Act

[Assented to 16 December 1982]

HER MAJESTY, with the advice and consent of the National Assembly of Québec, enacts as follows:

TITLE I

SCOPE AND INTERPRETATION

CHAPTER I

SCOPE

Applica-
bility.

1. This Act applies to the following forms of investment:

(1) any security recognized as such in the trade, more particularly, a share, bond, capital stock of an incorporated entity, subscription right or option to purchase;

(2) an instrument, other than a bond, evidencing a loan of money;

(3) a deposit of money, whether or not evidenced by a certificate except a deposit received by the Gouvernement du Québec, the Government of Canada, or one of their departments or agencies;

(4) an option or a negotiable futures contract pertaining to securities, or a Treasury bond futures contract;

(5) an option on a commodity futures contract or financial instrument futures contract;

(6) a share in an investment club;

(7) an investment contract;

(8) any option negotiable on an organized market;

(9) any other form of investment determined by regulation.

Investment
contract.

An investment contract is a contract whereby a person, having been led to expect profits, undertakes to participate in the risk of a venture by a contribution of capital or loan, without having the required knowledge to carry on the venture or without obtaining the right to participate directly in decisions concerning the carrying on of the venture.

Applica-
bility.

2. The scheme of securities regulation established by this Act and the regulations applies, *mutatis mutandis*, to the other forms of investment listed in section 1, subject to any express exemption.

Exemp-
tions.

3. The following forms of investment are exempt from the application of Titles II to VIII of this Act, except that mentioned in paragraph 11, which is exempt only from Title II:

(1) a debt security issued by the Gouvernement du Québec or the Government of Canada or the government of a Canadian province;

(2) a security issued by a closed company in conformity with its constituting documents;

(3) a security issued by a non-profit legal person, provided that its distribution entails no remuneration;

(4) a share or a debt security issued by a savings and credit union, including a share or a debt security of a federation, within the meaning of the Savings and Credit Unions Act (R.S.Q., chapter C-4), provided that the subscription was neither solicited nor received by a remunerated salesman or canvasser, and that the share was fully paid at the time of subscription;

(5) a common or preferred share in a cooperative association, including a share in a federation, incorporated under the Cooperative Associations Act (R.S.Q., chapter A-24) or the Cooperatives Act (1982, chapter 26), issued to a member or a person wishing to become a member, provided that the subscription was neither solicited nor received by a remunerated salesman or canvasser;

(6) a common or preferred share in a cooperative agricultural association, including a share in the Société coopérative fédérée des agriculteurs de la province de Québec, governed by the Act respecting cooperative agricultural associations (R.S.Q., chapter S-24) or the Cooperatives Act (1982, chapter 26) issued to a member or a person wishing to become a member, provided that the subscription was neither solicited nor received by a remunerated salesman or canvasser;

(7) a debt security issued only to a member by a person referred to in paragraph 5 or 6, according to the same conditions;

(8) an instrument evidencing a debt and issued in settlement of a credit sale or conditional sale, as long as it is not transferred to a natural person;

(9) an instrument evidencing a debt, including a bond, as long as the issue and transfer thereof constitute, for the issuer as well as for the subscriber, and any subsequent purchaser, isolated transactions;

(10) a deposit of money within the meaning of the Deposit Insurance Act (R.S.Q., chapter A-26) and the regulations thereunder, provided that it is received by a person duly registered under the said Act or by a bank governed by the Act respecting banks and banking (S.C., 1980-81-82, chapter 40) or by the Quebec Savings Banks Act (R.S.C., 1970, chapter B-4);

(11) a credit balance referred to in section 168;

(12) a share in a mutual fund or a unit of an unincorporated mutual fund established and administered and the securities of which are distributed by a trust company registered under the Trust Companies Act (R.S.Q., chapter C-41) having either of the following characteristics:

(a) it consists solely of pooled funds from retirement savings plans, home ownership savings plans or other similar plans, registered under the Taxation Act (R.S.Q., chapter I-3) or the Income Tax Act (R.S.C., 1952, chapter 148);

(b) it consists of unsolicited funds received from curators, trustees, testamentary executors or tutors which are commingled with the authorization of the depositor or his agent for the purpose of investment;

(13) a share of an investment club where the following conditions are met:

(a) the club does not have over 50 members;

(b) the club does not issue debt securities;

(c) the club does not pay any remuneration to advisers or dealers, except normal brokerage fees;

(d) all of the club's members are required to make contributions in proportion to their shares for the financing of its operations;

(14) an insurance or annuity contract issued by an insurer holding a licence under the Act respecting insurance (R.S.Q., chapter A-32), except an individual variable contract that is not an individual variable life annuity or that does not guarantee payment at maturity of a benefit equal to at least 75% of the premiums paid before 75 years of age;

(15) a debt security issued or guaranteed by a bank established under the Act respecting banks and banking (S.C., 1980-81-82, chapter 40) or the Quebec Savings Banks Act (R.S.C., 1970, chapter B-4), except a debt security conferring a right of payment ranking lower than a deposit contemplated in paragraph 10 and entrusted to the issuer or the guarantor of the debt security;

(16) a debt security issued or guaranteed by the International Bank for Reconstruction and Development, the Asian Development Bank or the Inter-American Development Bank, as long as it is payable in Canadian or American currency;

(17) a share in a mutual fund or a unit of an unincorporated mutual fund established and the securities of which are distributed by a bank governed by the Act respecting banks and banking (S.C., 1980-81-82, chapter 40) or by the Quebec Savings Banks Act (R.S.C., 1970, chapter B-4), or by a savings and credit union or a federation governed by the Savings and Credit Unions Act (R.S.Q., chapter C-4) having the characteristics provided for in subparagraph *a* of paragraph 12 of this section, provided the administration is entrusted to a trust company contemplated in that paragraph.

Declaration of control by a public agency.

4. Every agency of the Gouvernement du Québec, of the Government of Canada or of the government of any Canadian province, or a fund established or administered by any of such governments which exercises control over more than 10% of the voting rights attaching to the outstanding securities of a reporting issuer shall declare such control to the Commission within 10 days from the end of the month in which the acquisition was made, in the form determined by section 96.

Change in control.

The agency or fund shall similarly declare any change in its control greater than 1% of the voting rights attaching to the outstanding securities within 10 days of the end of the month in which the change occurred, and any other change, within 60 days after the end of the year.

CHAPTER II

INTERPRETATION

Interpretation:

5. In this Act, unless the context indicates otherwise,

“adviser”;

“adviser” means any person who advises another person as to the subscription, purchase or disposition of securities, or who, under a mandate, manages a portfolio of securities;

“legal person”;

“legal person” means any entity having juridical personality, including a commercial partnership;

“associ-
ate”;

“associate”, where used to indicate a relationship with a person, means

(1) any legal person in which the person owns securities assuring the person of more than 10% of the voting rights attaching to all the issued securities;

(2) any partner of that person;

(3) any trust or succession in which the person has a substantial ownership interest or to which he fulfils the functions of a trustee or testamentary executor or similar functions;

(4) the spouse of that person and his children, as well as his relatives and his spouse’s relatives, if they share his residence;

“closed
company”;

“closed company” means a company whose constituting documents provide for restrictions on the free transfer of shares, prohibit any distribution of securities to the public and limit the number of its shareholders to 50, exclusive of present or former employees of the company or of a subsidiary;

“distribu-
tion”;

“distribution” means

(1) the endeavour to obtain, or the obtaining, by an issuer or his agent, of subscribers or purchasers for his securities;

(2) the endeavour to obtain, or the obtaining, by a subscriber or purchaser of securities which he acquired under an exemption provided under sections 43 to 56, of purchasers for such securities;

(3) the endeavour to obtain, or the obtaining, for the first time, of a purchaser for the securities of a formerly closed company that have not previously been the subject of a prospectus;

(4) the giving in guarantee by an issuer of securities issued by him for that purpose;

“issuer”;

“issuer” means any person who has outstanding securities, or issues or proposes to issue securities;

“misrepre-
sentation”;

“misrepresentation” means any misleading information on a material fact as well as any pure and simple omission of a material fact;

“mutual
fund”;

“mutual fund” means a company issuing shares which must, on request of the holder, redeem them at their net asset value;

“person”;

“person” means any natural person, association, civil partnership, government other than that of Québec, of Canada, or of a Canadian province, or legal person;

“privileged information”; “privileged information” means any information concerning a material fact not yet known to the public that could affect the value or the market price of securities of an issuer;

“reporting issuer”; “reporting issuer” means an issuer contemplated in section 68;

“dealer”; “dealer” means any person

(1) carrying on the activities of intermediary in the trading of securities even when acting as principal for his own account;

(2) distributing a security without the benefit of a prospectus exemption, except an issuer who retains the services of a registered dealer;

(3) soliciting purchasers for securities;

“senior executive”; “senior executive” means any person exercising the functions of a director, or of a president, vice-president, secretary, treasurer, controller or general manager, or similar functions;

“unincorporated mutual fund”; “unincorporated mutual fund” means a fund consisting of funds commingled under a collective investment contract managed on behalf of holders by a person who, on request, redeems the units at their net asset value;

“voting security”. “voting security” means any security, other than a debt security, carrying a voting right that may be exercised immediately.

Unincorporated mutual fund. **6.** An unincorporated mutual fund is considered to be the issuer of the units; consequently, disclosure in respect of the fund takes the place of disclosure in respect of the issuer.

Requirements. However, the requirements imposed on the issuer or, as the case may be, on the reporting issuer, are the responsibility of the person in charge of the management of the fund.

Investment contract. **7.** In the case of an investment contract, the venture is considered to be the issuer of the contracts; consequently, disclosure in respect of the venture takes the place of disclosure in respect of the issuer.

Requirements. However, the requirements imposed on the issuer or on the reporting issuer are the responsibility of the persons designated by the Commission under section 66 or 104. Failing a decision by the Commission, they are the responsibility of the promoter of the venture and the persons in charge of its management.

Control of a legal person. **8.** The person owning securities entitling him to elect in all cases a majority of the directors of a legal person has the control of that legal person.

- Subsidiary. **9.** A legal person is the subsidiary of the legal person controlling it.
- Affiliates. Any two legal persons, one of which is the subsidiary of the other, or which are controlled by the same person, are affiliates.
- Ownership of securities. **10.** Whenever the question of the ownership of securities arises, any agreement by the effect of which the ownership of the securities is ascribed to a holder other than their true owner is disregarded.

TITLE II

DISTRIBUTION OF SECURITIES TO THE PUBLIC

CHAPTER I

DISTRIBUTION OF SECURITIES

DIVISION I

PROSPECTUS

- Prospectus. **11.** Every person intending to make a distribution of securities shall prepare a prospectus and obtain a receipt therefor from the Commission. The application for a receipt must be accompanied with the documents prescribed by regulation.
- Distribution outside Québec. **12.** Every person intending to make, from Québec, a distribution of securities to persons established outside Québec shall prepare a prospectus and obtain a receipt therefor from the Commission.
- Exemption. No prospectus is required, however, where the Commission agrees or does not object within 15 days after receiving the information required by regulation.
- Content of prospectus. **13.** A prospectus must contain the information and certificates prescribed by regulation.
- Content of prospectus. It must disclose all material facts likely to affect the value or the market price of the securities to be distributed.
- Receipt. **14.** The Commission shall issue a receipt except in the cases prescribed in section 15 or in the regulations.
- Conditions. The Commission may subject the issue of a receipt to the fulfilment of an undertaking or to any other condition.

Refusal. **15.** The Commission shall refuse to issue a receipt if it believes it should do so for one of the following reasons:

(1) the application is not accompanied with the documents prescribed by regulation;

(2) the prospectus does not conform to this Act or the regulations;

(3) the issuer is in contravention of this Act or a regulation thereunder;

(4) the senior executives of the issuer, the persons whose holdings are sufficient to give them a determining influence over its affairs or the promotor of the venture do not appear to have the integrity necessary to safeguard the interests of its security holders;

(5) the issuer does not appear to have the financial resources necessary to ensure the viability of its business;

(6) the protection of investors requires it.

Authorized documents. **16.** Only the following documents may be used in the course of a distribution:

(1) a prospectus for which a receipt has been issued;

(2) a document filed with the prospectus and mentioned therein;

(3) an advertising document not prohibited by regulation, provided it adequately reflects the information presented in the documents contemplated in paragraphs 1 and 2, without distorting it by selective presentation or by adding misleading statements.

Reference to prospectus. **17.** The document mentioned in paragraph 3 of section 16 must refer to the prospectus in the manner prescribed by regulation and give the conditions under which the prospectus is available to the public.

DIVISION II

SIMPLIFIED PROSPECTUS

Simplified prospectus. **18.** A distribution of securities may be made by way of a simplified prospectus if the reporting issuer meets the following two conditions:

(1) he has filed the permanent information record provided for in section 84;

(2) he has, for one year, satisfied the disclosure requirements defined in Title III or the equivalent requirements imposed by the Act replaced by this Act.

19. The rules governing a prospectus apply, *mutatis mutandis*, to a simplified prospectus.

The simplified prospectus must refer to the permanent information record in the manner prescribed by regulation and give the conditions under which it is available to the public.

DIVISION III

PRELIMINARY PROSPECTUS

20. A preliminary prospectus may be filed before the prospectus contemplated in section 11 or in section 18.

The preliminary prospectus must contain the information that is to be set forth in the final version of the prospectus except such information as may be omitted under the regulations.

The Commission shall issue a receipt upon the filing of a preliminary prospectus.

21. From the time a receipt for a preliminary prospectus is obtained, and until a receipt for the prospectus in its final version is obtained, it is permissible, notwithstanding sections 11, 12 and 16,

- (1) to forward a preliminary prospectus to any person;
- (2) to distribute an advertising document not prohibited by regulation, provided it adequately reflects the information presented in the preliminary prospectus, without distorting it by selective presentation or by adding misleading statements;
- (3) to solicit prospective subscribers or purchasers without accepting any undertaking on their part.

22. The document mentioned in paragraph 2 of section 21 must refer to the preliminary prospectus in the manner prescribed by regulation and give the conditions under which the preliminary prospectus is available to the public.

The dealer soliciting prospective subscribers or purchasers during the period contemplated in section 21 shall send a copy of the preliminary prospectus to every person who requests it.

The dealer shall keep a record of the names and addresses of the persons to whom he sends the preliminary prospectus.

DIVISION IV

AMENDMENT TO THE PROSPECTUS

Amendment.

25. Where a material change occurs that is likely to affect the value or the market price of the securities being distributed or where the number of securities being distributed is increased, an amendment to the prospectus must be made.

Amendment.

26. In the case of a preliminary prospectus, the making of an amendment is required only for a material change occurring during the period contemplated in section 21 that is likely to have an adverse influence on the value or the market price of the securities being distributed.

Copy.

Furthermore, a copy of the amendment must be sent to every person whose name appears in the record provided for in section 24.

Filing.

27. The amendments provided for in sections 25 and 26 must be filed with the Commission as soon as practicable and in any event within ten days after the change occurs.

Prior receipt.

Only an amendment relating to an increase in the number of securities being distributed requires a prior receipt from the Commission.

Amended prospectus.

28. Once the amendment is filed and, as the case may be, a receipt therefor is obtained, the prospectus may be sent only if accompanied with the amendment.

DIVISION V

SENDING OF PROSPECTUS AND RIGHT OF RESCISSION

Sending of prospectus.

29. A dealer who receives an order to subscribe for or purchase a security offered in a distribution made in accordance with this chapter shall send to the applicant a copy of the prospectus and any amendment thereto, not later than the second working day after the subscription or purchase.

Dealer acting as agent.

However, a dealer acting solely as agent for his client and who receives no remuneration, even indirectly, from the issuer or the vendor is not bound by the first paragraph.

Rescission.

30. A person who, without having received a preliminary prospectus, subscribes for or purchases from a dealer securities offered in a distribution may unilaterally rescind the subscription or the contract merely by transmitting a notice of rescission to the dealer within two days after receipt of the prospectus. The rescission has effect by operation of law from receipt of the notice.

Exception. **31.** Section 30 has no effect if the subscriber or purchaser is himself a dealer or if he disposes of the securities during the time for rescission.

Presumption. **32.** The addressee is presumed to have received, in the ordinary course of mail, the copy of the prospectus or the notice of rescission mailed to him.

DIVISION VI

DISTRIBUTION PROCEDURE

Distribution period. **33.** The distribution of a security must be terminated within 12 months from the date of the receipt for the prospectus, or for the preliminary prospectus, where such is the case.

Extension. **34.** A distribution may be extended for a further 12 months if

(1) a prospectus containing the information and certificates prescribed by regulation and accompanied with the documents prescribed by regulation is submitted at least 30 days before the lapse of the term specified in section 33;

(2) a prospectus accompanied with the documents prescribed by regulation is submitted within 10 days after the lapse of the term specified in section 33;

(3) a receipt for the prospectus is obtained from the Commission within 20 days after the lapse of the term specified in section 33.

Continuation. The distribution may be continued, notwithstanding section 33, until the decision of the Commission as to the new receipt, provided that the time limits prescribed in subparagraphs 1 and 2 of this section are observed.

Additional year. However, any additional year runs from the lapse of the term specified in section 33.

Extension. **35.** The Commission may extend a time limit provided in section 34 on such conditions as it may determine.

Rescission. **36.** A person who subscribes for or purchases securities distributed in contravention of this division may unilaterally rescind the subscription or purchase.

Notice. The person needs merely to transmit a notice of rescission to the dealer within 30 days of his first knowledge of the contravention. The rescission has effect by operation of law from receipt of the notice.

Decision
by the
Commis-
sion.

37. In case of doubt, the Commission shall decide whether a distribution of a security has ceased or is still in progress.

Appeal.

No appeal lies from the decision.

Cessation
of a distri-
bution.

38. The Commission may order that a distribution cease

(1) if the prospectus or preliminary prospectus does not conform to this Act or the regulations;

(2) if the amendment required by section 25 or 26 has not been made within the prescribed time;

(3) if the Commission considers that the protection of investors requires it.

Resump-
tion.

The distribution may be resumed only with the authorization of the Commission.

Informa-
tion.

39. The Commission may require that the content of the order made under section 38 be communicated under such conditions as it may determine to all the persons to whom the prospectus has been sent.

Distribu-
tion by
third
person.

40. Where a third person proposes to make a distribution of the securities of an issuer, the Commission may order the issuer to provide the documents and information necessary to prepare the prospectus or any other document in lieu thereof.

CHAPTER II

EXEMPTIONS

DIVISION I

EXEMPTIONS DUE TO THE NATURE OF THE SECURITIES

Prospectus
exemp-
tions.

41. No prospectus is required for the distribution of the following securities:

(1) a debt security guaranteed by the Gouvernement du Québec, the Government of Canada or the government of a Canadian province;

(2) a debt security issued or guaranteed by

(a) a municipal corporation, an urban community or regional community, a school corporation or the Conseil scolaire de l'île de Montréal;

- (b) a transit commission established under an Act of Québec;
 - (c) a hospital centre within the meaning of the Act respecting health services and social services (R.S.Q., chapter S-5);
 - (d) a Québec university;
 - (e) a general and vocational college;
 - (f) a fabrique constituted under the Act respecting fabriques (R.S.Q., chapter F-1);
 - (g) an intermunicipal management board;
- (3) a promissory note payable in one year or less and evidencing, if distributed to a natural person, a debt for a sum of \$50 000 or more.

Conditions. **42.** The exemption provided for in paragraph 2 of section 41 presupposes the existence of one of the following conditions:

- (1) the person concerned has the power to levy a tax on real estate located in a Canadian province;
- (2) the person concerned may issue debt only under the supervision of a department or public body established pursuant to an Act of Canada or a Canadian province;
- (3) the National Assembly of Québec votes annual appropriations for repayment of the debt and payment of interest.

DIVISION II

EXEMPTIONS DUE TO THE NATURE OF THE DISTRIBUTION

Sophisticated purchaser. **43.** No prospectus is required where a distribution of securities is made to a sophisticated purchaser and the offer is made without any advertisement.

Distributions to governments. Similarly, no prospectus is required where a distribution of securities is made to the Gouvernement du Québec, the Government of Canada or the government of a Canadian province, or to any of their departments or agencies.

Sophisticated purchaser. **44.** Each of the following persons is a sophisticated purchaser to the extent that he subscribes for or purchases securities for his own account:

- (1) a company all of the voting securities of which belong to the Gouvernement du Québec, the Government of Canada or the government of a Canadian province, or to one of their departments or agencies;

(2) a bank governed by the Act respecting banks and banking (S.C., 1980-81-82, chapter 40) or by the Quebec Savings Banks Act (R.S.C., 1970, chapter B-4);

(3) a loan and investment society incorporated under an Act of Québec or registered in accordance with the Loan and Investment Societies Act (R.S.Q., chapter S-30);

(4) a federation of savings and credit unions within the meaning of the Savings and Credit Unions Act (R.S.Q., chapter C-4);

(5) the Caisse centrale Desjardins du Québec established under the Act respecting the Confédération des caisses populaires et d'économie Desjardins du Québec (1971, chapter 80);

(6) a trust company registered under the Trust Companies Act (R.S.Q., chapter C-41);

(7) an insurance company licensed under the Act respecting insurance (R.S.Q., chapter A-32);

(8) a municipal corporation, an urban community or regional community, a school corporation, the Conseil scolaire de l'île de Montréal, an intermunicipal management board or a public agency or body established pursuant to an Act of the Government of Canada or of the government of a Canadian province;

(9) a dealer or an adviser registered in conformity with section 148;

(10) a pension fund with assets of over \$100 000 000 and governed by the Act respecting supplemental pension plans (R.S.Q., chapter R-17) or the Pension Benefits Standards Act (R.S.C., 1970, chapter P-8);

(11) the subsidiary of a person mentioned in paragraph 2, 6 or 7, to the extent that such person holds all the voting securities;

(12) a person designated in an order of the Commission on such conditions as it may determine.

Sophisticated purchaser.

45. A trust company registered under the Trust Companies Act (R.S.Q., chapter C-41), an insurance company holding a licence under the Act respecting insurance (R.S.Q., chapter A-32) or a dealer or adviser registered in conformity with section 148 is also a sophisticated purchaser when purchasing or subscribing for securities for the portfolio of a third person managed solely by that company, dealer or adviser.

Notice to the Commission.

46. A person who makes a distribution of securities under an exemption provided for in section 43 shall, within ten days thereafter,

file a notice with the Commission accompanied with the information prescribed by regulation.

Limited
distribu-
tion.

47. Except in the case of a reporting issuer, no prospectus is required where a person distributes his securities to not more than 25 subscribers or, in the case of tax-shelter securities, 50 subscribers, if the transaction meets the following conditions:

- (1) each subscriber is acting for his account;
- (2) each transaction is evidenced in writing and the contract contains the provisions prescribed by regulation;
- (3) the distribution is completed within 6 months;
- (4) the distribution is made without advertisement;
- (5) the promoter of the transaction, except a registered dealer, has not taken part in a distribution under this exemption within the previous 12 months.

Subse-
quent
transfers.

Similarly, no prospectus is required for a subsequent transfer between persons who subscribed for the securities.

Tax-shelter
securities.

Tax-shelter securities are securities that give entitlement to tax exemptions and are designated as such by the Commission.

Single
exemption.

48. No issuer may avail himself more than once of the exemption provided for in section 47.

Notice to
the Com-
mission.

49. An issuer making a distribution under the conditions prescribed in section 47 shall, before the distribution begins and within ten days of its completion, notify the Commission in the form prescribed by regulation.

Exchange
of
securities.

50. No prospectus is required for the exchange of securities in the context of a merger or a reorganization of capital, if the Commission agrees thereto or does not raise any objection within 15 days of receiving the information required by regulation.

Gilt-edged
securities.

51. No prospectus is required for the distribution of gilt-edged securities within the meaning of section 57 or of debt securities not convertible into voting securities where the total cost of subscription or purchase is at least \$100 000 per person.

Notice.

In such a case, the person making the distribution shall give the notice provided for in section 46.

Prospectus
exemp-
tions.

52. An issuer is not required to prepare a prospectus in the following cases:

(1) the distribution to holders of its securities of an exchange, conversion or subscription right relating to its securities, as well as of the securities issued on the exercise of that right;

(2) the distribution of securities through a dividend re-investment plan or a stock-dividend distribution plan;

(3) the distribution of securities to its shareholders through subscription plans;

(4) the distribution of portfolio securities issued by a reporting issuer to permit the exercise of an exchange, conversion or subscription right previously granted by the issuer;

(5) the distribution of securities of its own issue to its employees and senior executives or those of an affiliate who are not induced to purchase by expectation of employment or continued employment.

Consent of
the Com-
mission.

53. The exemptions provided for in section 52 apply only where the Commission agrees thereto or does not raise any objection within 15 days of receiving the information required by regulation.

Offering
notice.

In the cases provided for in paragraphs 1, 3 and 5 of section 52, the issuer must prepare an offering notice in the form prescribed by regulation subject to examination by the Commission on the conditions prescribed in the first paragraph and send it to the persons contemplated by the distribution, before accepting any undertaking on their part.

Limited
number of
holders.

54. No prospectus is required for the distribution of voting securities where the number of holders of voting securities after the distribution is completed is not greater than five, provided the distribution is made without advertisement.

Undivided
joint
owner.

Each undivided joint owner of one security is counted as one security holder.

Firm
under-
writing.

55. No prospectus is required for a firm underwriting by a broker registered in Québec.

Guaran-
teed
securities.

56. No prospectus is required where an issuer gives in guarantee securities issued by him for that purpose.

DIVISION III

FINAL EXEMPTIONS

"gilt-edged
security".

57. The expression "gilt-edged security" means a security contemplated in paragraph *d*, *h* or *i* of article 981o of the Civil Code.

Securities
purchased
under an
exemption.

58. No prospectus is required for the alienation of securities of a reporting issuer purchased under an exemption provided in section 43, 47 or 51 where the initial purchaser and subsequent purchasers entitled to one of such exemptions have held the securities for a fixed period immediately preceding the alienation and if the reporting issuer has complied with the applicable disclosure requirements during the same period.

Time limit.

The period provided for in the preceding paragraph is

- (1) 6 months in the case of a gilt-edged security;
- (2) 12 months in the case of securities merely listed on a recognized stock exchange;
- (3) 18 months in the case of other securities.

Debt
security.

59. The exemption provided for in section 58 applies also to debt securities not issued by a reporting issuer but guaranteed by a reporting issuer having a security listed on a recognized stock exchange.

Time limit.

The prescribed period is then 12 months.

Securities
purchased
under an
exemption.

60. No prospectus is required for the alienation of securities purchased under an exemption provided for in section 50 if the issuer or one of the parties to the merger or to the reorganization of the capital is a reporting issuer and has complied with the applicable requirements for 12 months.

Securities
purchased
under an
exemption.

61. No prospectus is required for the alienation of securities purchased under an exemption provided for in section 52 if the issuer is a reporting issuer and has complied with the applicable requirements for more than 12 months.

Applicability
of
exemptions.

62. The exemptions provided for in sections 58 to 61 apply only if no effort is made to prepare the market or to create a demand for the securities being distributed.

Securities
exchange
take-over
bid.

63. No prospectus is required for a take-over bid by way of an exchange of securities made in conformity with Title IV.

CHAPTER III

SPECIAL REGULATORY SCHEMES

Simplified
prospectus.

64. Mutual funds, unincorporated mutual funds and any other issuer of a category of admissible issuers determined by regulation may, if they have filed the permanent information record provided

for in section 108, prepare a simplified prospectus in the special form prescribed by regulation.

Abridged
prospectus.

65. In the cases prescribed by regulation, an abridged prospectus may be prepared in the form prescribed by regulation, subject in other respects to the ordinary rules relating to a prospectus.

Investment
contract.

66. In the case of an investment contract, the Commission may designate the persons who are to be liable for the obligations imposed on the issuer.

Qualifica-
tion by the
Commis-
sion.

67. In the case of the securities referred to in subparagraphs 4 and 5 of the first paragraph of section 1, negotiable on an organized market, or in the case of the options referred to in subparagraph 8 of the same paragraph, the issuing person must, instead of preparing a prospectus, be qualified by the Commission in accordance with the conditions prescribed by regulation.

Informa-
tion docu-
ment.

The issuing person must also prepare an information document in the form determined by regulation, describing how the market operates and, where such is the case, the various types of contracts; he must submit the document to the Commission for approval.

TITLE III

DISCLOSURE REQUIREMENTS

CHAPTER I

REPORTING ISSUER

Continuous
disclosure
require-
ments.

68. A reporting issuer is an issuer that, having made a distribution of securities to the public, is subject to the continuous disclosure requirements specified in Chapter II of this title.

Public
distribu-
tion.

An issuer is deemed to have made a distribution of securities to the public where

(1) a prospectus has been filed in respect of one of its securities and a receipt therefor obtained from the Commission;

(2) it has filed a circular with the Commission in respect of a take-over bid by way of an exchange of securities;

(3) any of its securities has been listed on a stock exchange in Québec at any time from (*insert here the date of the coming into force of this section*);

(4) its existence is the result of an amalgamation or reorganization to which a reporting issuer was a party;

(5) its existence is the result of the continuance of an issuer contemplated in paragraphs 1 to 4;

(6) it is contemplated in section 338.

Public
distribu-
tion.

An issuer who files a prospectus and obtains a receipt therefor from the Commission for the sole purpose of becoming a reporting issuer is also deemed to have made a distribution of securities to the public. The prospectus must contain the information and certificates prescribed by regulation and disclose all the material facts likely to affect the value or the market price of the securities already issued. The rules specified for a prospectus in Title II do not apply to the prospectus.

Fewer
than
fifteen
holders.

69. In the case of a reporting issuer that has fewer than fifteen security holders whose latest addresses as shown in the records of the reporting issuer are in Québec, the Commission may, on application, revoke the issuer's status as a reporting issuer or, on such conditions as it may determine, release the issuer from all or part of the continuous disclosure requirements specified in Chapter II of this title.

Register of
reporting
issuers.

70. The Commission shall keep a public register of reporting issuers.

Standing
of report-
ing issuer.

71. Upon the application of any interested person, the Commission shall issue a certificate which is proof of its content in respect of the standing of a reporting issuer.

Ground for
defence.

72. No person who knows or reasonably ought to know that a reporting issuer is not in good standing may adduce a certificate as proof in his defence.

CHAPTER II

CONTINUOUS DISCLOSURE

DIVISION I

TIMELY DISCLOSURE

Material
change.

73. Where a material change occurs that is likely to have a significant influence on the value or the market price of the securities of a reporting issuer and is not generally known, the reporting issuer shall immediately prepare and distribute a press release disclosing the substance of the change.

Filing of press release. A copy of the press release must be filed immediately with the Commission.

Prejudicial disclosure. **74.** A reporting issuer is not required to prepare a press release if senior management has reasonable ground to believe that disclosure would be seriously prejudicial to the interests of the issuer and that no transaction in the securities of the issuer has been or will be carried out on the basis of the information not generally known.

Disclosure of material change. When the circumstances that justify non-disclosure have ceased to exist, the issuer shall comply with section 73.

DIVISION II

PERIODICAL DISCLOSURE

Annual statements. **75.** Within 90 days from the end of its financial year, every reporting issuer shall file with the Commission annual financial statements and an auditor's report in the form determined by regulation.

Quarterly statements. **76.** Within 45 days from the end of each of the first three quarters of its financial year, every reporting issuer shall file with the Commission quarterly financial statements in the form determined by regulation.

First financial year. However, in the case of a reporting issuer's first financial year, the Commission determines, after consultation with the issuer, which financial statements must be filed.

Report to holders. **77.** Within 140 days from the end of its financial year, every reporting issuer shall send to every registered holder of its securities, other than holders of debt securities, and to the Commission, an annual report containing the financial statements and the auditor's report provided for in section 75, together with the other information required by regulation.

Report to holders. **78.** Within 45 days after the end of each of the first three quarters of its financial year, every reporting issuer shall send to every registered holder of its securities, other than holders of debt securities, the financial statements provided for in section 76.

Exemption. **79.** Upon the application of a reporting issuer, the Commission, on such conditions as it may determine, may exempt a reporting issuer from reporting in its financial statements any information that should normally appear, if the issuer proves that it would be seriously prejudicial to it.

Form of
annual
statement.

80. The financial statements provided for in this Act or the regulations must be drawn up in accordance with generally accepted accounting principles and with any relevant provision of the Act or the regulations, except where the regulations permit otherwise.

DIVISION III

PROXY SOLICITATION

Convoca-
tion and
form of
proxy.

81. When the management of a reporting issuer calls a meeting of holders of voting securities, it shall concurrently with the notice of meeting send a form of proxy prepared in the form prescribed by regulation, except where the incorporating Act prohibits the soliciting of proxies.

Circular.

82. Every person who solicits proxies for a meeting of holders of voting securities of a reporting issuer shall send to the persons solicited and to the Commission a circular prepared in the form prescribed by regulation.

Applica-
bility.

This rule also applies to any form of solicitation of security holders to execute, withhold or revoke a proxy and to the sending of forms under section 81.

Circular.

Even where the Act under which it is incorporated prohibits the soliciting of proxies, a reporting issuer must send the circular contemplated in this section to all its registered holders other than holders of debt securities.

Circular
exemption.

83. The circular provided for in section 82 is not required for a solicitation made by a person unconnected with the management of the reporting issuer, to not more than 15 security holders, each undivided joint owner being counted as one security holder.

CHAPTER III

PERMANENT INFORMATION RECORD

Permanent
informa-
tion
record.

84. A reporting issuer who proposes to prepare a simplified prospectus under the conditions provided for in section 18 or 64 shall file a permanent information record with the Commission.

Content.

85. The permanent information record must contain
(1) the information prescribed by regulation concerning the reporting issuer;

(2) the documents filed by a reporting issuer in accordance with Chapter II of this title, namely the latest annual report and all other documents filed since the close of the financial year covered by the report.

Updating. **86.** The reporting issuer shall bring the information provided for in paragraph 1 of section 85 up to date within 140 days of the end of its financial year.

Copy of permanent information record. **87.** Every reporting issuer shall, on request, furnish a copy of its permanent information record to holders of its securities or to any other person. It may require the payment of a fee, except from a holder of its securities and except where the request is made during a distribution of its securities by means of a simplified prospectus.

Notice. **88.** A reporting issuer that decides to cease filing the information provided for in paragraph 1 of section 85 shall so inform the Commission.

CHAPTER IV

INSIDER REPORTS

Insiders. **89.** The insiders of a reporting issuer that are subject to the disclosure requirements established in this chapter are

(1) the issuer itself, its subsidiaries, its senior executives and the senior executives of its subsidiaries;

(2) any person who exercises control over more than 10% of the voting rights attached to the outstanding securities of a reporting issuer, other than securities that were the object of a firm underwriting and are in the course of distribution;

(3) the senior executives of a person contemplated in paragraph 2.

Control. **90.** The person who is the owner of securities or has direction over them is the person who exercises control over them.

Presumption of control. **91.** Every person who may exercise as he sees fit voting rights attaching to securities he does not own is deemed to exercise control over those securities.

Change in control. **92.** An insider of a reporting issuer who acquires or disposes of an option in respect of a security of that issuer is deemed to effect a change in his control of the security.

Transfer
of
ownership.

93. For the purpose of making the necessary reports, ownership is deemed to pass at the time a subscription or an offer to buy or sell is accepted.

Presump-
tion.

94. When an issuer, reporting or not, becomes an insider of a reporting issuer, a senior executive of the former issuer is deemed to have been an insider of the other reporting issuer for the previous 6 months or for such shorter period as he has been a senior executive of the former issuer.

Presump-
tion.

If the former issuer is a reporting issuer, the senior executives of the latter issuer are also deemed to be insiders of the former issuer, and the same conditions apply.

Amalgama-
tion of
issuers.

95. The amalgamation of issuers or the purchase by an issuer of all or substantially all of the assets of another issuer or of a subsidiary thereof, gives rise, in respect of senior executives, to the presumptions set forth in section 94.

Applica-
bility.

Section 94 applies only when at least one reporting issuer was a party to the amalgamation or reorganization.

Disclosure
of control.

96. A person who becomes an insider of a reporting issuer shall disclose to the Commission, if such is the case, his control over the securities of the issuer, within ten days thereafter and in the form prescribed by regulation.

Change in
control.

97. An insider of a reporting issuer shall file a report disclosing any change in his control over the securities of the issuer.

Filing of
report.

The report must be filed

(1) within ten days, where the change in control resulting from one or several transactions is greater than 1%;

(2) within ten days after the end of the month, for other changes.

Filing of
report.

98. A senior executive deemed to be an insider under section 94 or 95 shall, within the first ten days of the month following the month in which he is so deemed, file the report that sections 96 and 97 would have required for the period contemplated by the presumption.

Filing of
report.

99. A person who becomes the owner of securities carrying 20% or more of the voting rights attached to the outstanding securities of a reporting issuer shall, within three days, file a report prepared in the form prescribed by regulation.

Filing of report.

100. A person who is the owner of securities carrying 20% or more of the voting rights attached to the outstanding securities of a reporting issuer shall, each time he acquires securities carrying an additional 5% of the voting rights, file a report as in section 99 within three days.

Applicability.

101. Sections 99 and 100 do not apply to a purchase made as part of a take-over bid or issuer bid accompanied with a take-over bid or issuer bid circular provided for in section 118.

Registration in the name of a third person.

102. An insider of a reporting issuer who registers or causes to be registered any securities of that issuer in the name of a third person shall file a report prepared in the form prescribed by regulation, except in the case of a *bona fide* transfer in guarantee.

Obligation of the third person.

103. Where an insider fails to file the report provided for in section 102, the third person shall file the report himself on becoming aware of the failure.

CHAPTER V

SPECIAL REGULATORY SCHEMES

Designation by the Commission.

104. In the case of an investment contract, the Commission may designate the persons responsible for discharging the obligations imposed on the reporting issuer.

Applicable provisions.

105. Sections 75 and 77 apply to every mutual fund incorporated under the statutes of Québec even if it is not a reporting issuer.

Applicable provisions.

106. Sections 76 and 78 apply to every mutual fund that is a reporting issuer and to every mutual fund incorporated under the statutes of Québec, but only semi-annual financial statements need to be filed and sent.

Applicable provisions.

107. Every unincorporated mutual fund is also subject to the requirements of sections 105 and 106 in respect of a mutual fund.

Filing of permanent information record.

108. Every mutual fund, unincorporated mutual fund or other issuer of a category of admissible issuers determined by regulation must, if it wishes to prepare a simplified prospectus referred to in section 64, file with the Commission a permanent information record in a special form determined by regulation.

Exceptions.

109. The disclosure scheme provided for under this title does not apply in the case of an option or a futures contract pertaining to securities, a Treasury bond futures contract, an option on a

commodity futures contract or financial instrument futures contract, or an option contemplated in subparagraph 8 of the first paragraph of section 1.

TITLE IV

TAKE-OVER BIDS AND ISSUER BIDS

CHAPTER I

DEFINITIONS AND SCOPE

Take-over
bid.

110. A take-over bid is an operation by which a person, called the offeror, makes an offer to purchase, for his own account, all or part of the securities of an issuer, called the offeree issuer, for the purpose of obtaining or securing a dominant position in the offeree issuer.

Dominant
position.

A person is said to have a dominant position when he holds more than 20% of the voting securities of the offeree issuer. The securities owned by a person's associate must be included in computing the percentage of the person's holdings.

Dominant
position.

111. In determining a dominant position, any security or interest which enables the holder to acquire a voting security at the given time by a single transaction or several linked transactions is also considered to be a voting security.

Applica-
bility.

112. A take-over bid is subject to this title if it is made to at least one security holder whose address is in Québec according to the records of the offeree issuer.

Presump-
tion.

113. An invitation to make an offer to sell, or the acceptance of an unsolicited offer to sell, if done for the purpose of obtaining the result described in section 110, is deemed to be a take-over bid.

Securities
exchange
take-over
bid.

114. A take-over bid by way of an exchange of securities, whereby the offeror, to obtain the result described in section 110, offers to holders of securities of the offeree issuer to exchange them for other securities, is subject to the same regulatory scheme as a take-over bid, *mutatis mutandis*.

Presump-
tion.

115. Where two or more persons make one or more offers jointly or in concert, or intend to exercise jointly or in concert any voting rights attaching to the security subject to such an offer, each of them is deemed to hold the percentage of the securities held by them in aggregate.

Presump-
tion.

If a take-over bid is made by two or more such persons, each is deemed to be an offeror.

Exemp-
tions.

116. An offeror who makes a take-over bid is exempt from the requirements of this title where

(1) the bid is made through the facilities of a stock exchange recognized by the Commission for the purposes of this section and conforms to the rules of the exchange;

(2) the bid is not made to the holders in general and is intended to acquire voting securities by way of separate agreements with not more than 14 holders at a price limited to the margin of variation established by regulation and subject, in the case of securities acquired within the preceding two years for resale under this exemption, to counting as so many holders the vendors from whom the securities offered in response to the bid were acquired;

(3) the bid involves not more than 5% of the voting securities, provided that the offeror, his affiliates and his associates do not, within any twelve-month period, under the exemptions provided in subparagraphs 1 and 3, purchase more than a total of 5% of the voting securities of the offeree issuer that are outstanding at the beginning of the period.

Oath or
solemn
affirma-
tion.

The offeror must require the holders to declare under oath or by solemn affirmation the particulars by which he can evaluate his position in respect of subparagraph 2 of the first paragraph. The declaration must disclose every agreement to use a prête-nom in connection with the securities in question, each principal being then counted as a holder. The offeror is not required to ascertain the truthfulness of any such declaration.

Exception.

In the case of securities listed on an organized exchange, the exemption provided in subparagraph 3 of the first paragraph does not apply if the securities are acquired at a price higher than their market price on that exchange on the day they are acquired.

Limits.

Notwithstanding the exemption provided in subparagraph 1 of the first paragraph, in no case may purchases made on stock exchanges recognized for the purposes of that subparagraph exceed, for a period of thirty days, 5% of the voting securities, subject to a ceiling of 10% for a period of 180 days unless the offeror makes an offer to all the holders in accordance with the rules of the stock exchange. However, a recognized stock exchange may fix a different percentage and ceiling and different periods, as well as different formalities, but these rules apply only from their approval by the Commission after the holding of a public hearing.

CHAPTER II

REQUIRED DOCUMENTS

DIVISION I

SENDING OF TAKE-OVER BID AND CIRCULAR

117. The offeror must send the take-over bid to every holder of the class or series of securities that is the subject of the bid and to every holder of securities giving the right to acquire securities of that class or series during the offer, whose address in the records of the offeree issuer is in Québec and, in the cases provided by regulation, elsewhere in Canada.

Sending of
take-over
bid.

118. The offeror must send a take-over bid circular prepared in the form prescribed by regulation with the take-over bid sent to security holders.

Sending of
take-over
bid
circular.

119. He must file the documents referred to in the first paragraph with the Commission not later than the day they are sent to the security holders.

Filing.

120. The contents of the documents referred to in section 118 and the distribution thereof must be authorized by the offeror in the manner prescribed by regulation.

Authori-
zation.

121. A take-over bid and the related documents mentioned in this title must be sent by mail, by personal delivery or in any other manner approved by the Commission.

Delivery.

A take-over bid and the related documents become effective on the day they are sent.

Effective
date.

DIVISION II

CIRCULARS OF THE BOARD OF DIRECTORS AND
SENIOR EXECUTIVES

121. The board of directors of an offeree issuer shall cause a circular prepared in the form prescribed by regulation to be sent not later than ten days from the effective date of the take-over bid to every security holder whose address according to its records is in Québec. The circular may include a substantiated recommendation to the security holders to accept or reject the bid.

Circular
sent by
directors.

122. Where the board of directors of an offeree issuer is considering making a recommendation after the sending of the circular provided for in section 121, it shall mention that fact in the circular. It may then recommend that the security holders not

Recom-
mendation.

tender their securities until further communication is received from the board.

Recom-
mendation.

Where the board recommends that holders await further communication, it must send a communication to them of its recommendation or of its decision not to make a recommendation, at least seven days prior to the expiry of the take-over bid.

Notice of
senior
executive.

123. Any senior executive of an offeree issuer may include with the directors' circular or the communication provided for in section 122 a separate notice prepared in the form prescribed by regulation, in which he may recommend the acceptance or rejection of the take-over bid or indicate his disagreement with the documents prepared by the board.

Notice of
significant
change.

124. Where the facts on which a circular is based change significantly during the offer, the board of directors or the senior executive of the offeree issuer, as the case may be, must so advise the security holders contemplated in section 121.

Filing.

125. The board of directors and senior executives shall file with the Commission a copy of the documents provided for in sections 121 to 124 as soon as they are sent to the security holders.

CHAPTER III

TAKE-OVER BID PROCEDURE

DIVISION I

OBLIGATIONS OF THE OFFEROR

With-
drawal of
take-over
bid.

126. An offeror may reserve the right to withdraw a take-over bid only for one of the following reasons:

(1) the minimum number of securities sought in the bid is not tendered;

(2) an unforeseen and material change that is likely to affect the value or market price of the securities of the offeree issuer occurs, but not as a result of any action taken by the offeror;

(3) the approval of a public body which the offeror must obtain is not obtained prior to the expiry of the bid;

(4) at the time the offeror must take delivery of the securities or effect payment for them, he is prevented from doing so by the effect of a general law.

Minimum
number of
securities
tendered.

127. Securities purchased by the offeror during a take-over bid but not as a result of the bid are taken into account in

determining whether or not the minimum number of securities has been tendered under the bid, except where the number of securities deposited in response to the bid exceeds the number that the offeror is bound or willing to take up.

Availabil-
ity of
funds.

128. The offeror shall make adequate arrangements to ensure that the required funds are available to effect payment for all securities that are the subject of the take-over bid.

Sales
prohibited.

129. The offeror shall not, during a take-over bid, sell any securities of the class or series that is the subject of the take-over bid.

Uniform
price.

130. The offeror shall offer the same price to all the holders of securities of the class or series that is the subject of the take-over bid. Any agreement that has the effect of creating disparity among the holders is prohibited.

Increase in
price.

131. If, during a take-over bid, an offeror purchases securities for a higher price than that offered in the take-over bid, he is bound to increase the latter accordingly.

Change of
terms
during bid.

132. Where a take-over bid has been varied by changing any of its initial terms or a significant change has occurred during the bid in the facts on which the circular is based, the offeror must give notice thereof to those security holders whose securities have not been paid for and to the Commission.

Change
deemed
significant.

133. However, in the case of a take-over bid by way of an exchange of securities, a change not resulting from an act of the offeror is deemed to be significant only to the extent that it constitutes a material change that is likely to affect the value or the market price of the securities offered in exchange.

Effective
date.

134. Except where a variation is solely an increase in price, the amended bid becomes effective from the date of the notice provided for in section 132.

Increase in
price.

The notice must advise the security holders of their right to withdraw as provided in section 137.*

135. Where there is an increase in price, the offeror shall pay the increased price even for securities already paid for.

DIVISION II

TIME LIMITS

Duration.

136. A take-over bid must have a duration of at least twenty-one days for holders to deposit their securities pursuant to the bid.

* *This paragraph was inadvertently omitted from the previous printings of the English text of this Act.*

With-
drawal. **137.** Securities deposited pursuant to a take-over bid may be withdrawn by giving notice in writing to the depositary, who must receive it within ten days from the effective date of the bid or of the amended bid referred to in section 132.

Time limit. **138.** Where a take-over bid is made for all of a class or series of securities, the offeror shall not, for ten days from the effective date of the bid, take up and pay for the securities tendered.

Time limit. At the expiration of thirty-five days from the effective date of the bid, the offeror shall take up and pay for the securities tendered, if the conditions of the bid have been fulfilled. If they have not, he may nevertheless take up and pay for the securities tendered.

Time limit. **139.** Where a take-over bid is made for less than all of a class or series of securities, the offeror shall not, for twenty-one days from the effective date of the bid, take up and pay for the securities tendered.

Time limit. The time for deposit of securities under the take-over bid must then not exceed thirty-five days.

Time limit. **140.** An offeror referred to in section 139 shall, if the conditions of the bid not waived by him have been complied with, take up and pay for all the deposited securities within fourteen days after the expiry of the bid.

Reduction
of number
of
securities. If the number of securities deposited pursuant to the bid is greater than the offeror is bound or willing to take up, he shall reduce the number of securities deposited by each holder *pro rata*, taking into account necessary adjustments, before taking up and paying for them.

Extension
of time
limits. **141.** Where a take-over bid is subject to approval by a public body, the offeror may extend the time prescribed by sections 138 and 140 for taking up and paying for the securities by not over 90 days.

Excep-
tions. **142.** The Commission may grant exceptions to the time limits prescribed in this title in the case of bids subject to different time limits imposed by another Canadian legislative authority.

DIVISION III

REPORT OF PURCHASE OF A BLOCK OF SECURITIES

Filing of
report. **143.** Every person other than the offeror who, during a take-over bid, acquires at least 5% of the securities of the class or series

that is the subject of the bid shall before ten o'clock in the morning on the next working day file a report with the Commission in the form prescribed by regulation.

CHAPTER IV

ISSUER BIDS

Issuer bid. **144.** An issuer bid is an operation by which an issuer makes an offer to security holders to acquire securities issued by it that represent an interest in its share capital or that are convertible into such securities.

Applicable provisions. **145.** Sections 113, 114, 117 to 120 and 126 to 143 apply to an issuer bid, *mutatis mutandis*, if the bid is made to at least one security holder whose address according to the issuer's records is in Québec.

Notice of senior executive. **146.** Every senior executive of an issuer may include with an issuer bid a notice similar to the notice provided for in section 123.

Exemptions. **147.** An issuer that makes an issuer bid is exempt from the requirements under this title where

(1) the securities are acquired in accordance with conditions in writing at the time of issue or determined subsequently in accordance with the constituting Act and the regulations thereunder;

(2) the bid is made through the facilities of a stock exchange recognized by the Commission for the purposes of this section and in accordance with the rules of the exchange;

(3) the issuer, following the publication of a notice of intention, acquires, over a twelve-month period, less than five per cent of the class or series of securities in question outstanding at the commencement of the period.

TITLE V

DEALERS AND ADVISERS

CHAPTER I

REGISTRATION

Registration. **148.** No dealer or adviser may carry on business unless he is registered as such with the Commission.

149. Every natural person carrying on business as a dealer or adviser on behalf of a person subject to registration under section 148 must register with the Commission as the representative of that person.

150. The Government shall, by regulation, fix the categories of registration, the conditions to be met by candidates, the duration of registration, and the rules governing the activities of registrants.

151. The Commission, after verifying that the candidate meets the conditions fixed by regulation, shall grant registration where, in its opinion,

(1) the candidate or, in the case of a legal person, its senior executives have the competence and integrity to ensure the protection of investors;

(2) the candidate has adequate financial resources to ensure the viability of his business.

152. The Commission may revoke or suspend the rights granted by registration, or impose restrictions or conditions on their exercise where, in its opinion, a registrant fails to comply with this Act or regulations made thereunder or where the protection of investors requires it.

153. A dealer or adviser wishing to cease carrying on business shall apply to the Commission to surrender his registration.

The Commission may impose such conditions as it may determine on the surrender, and shall accept it where, in its opinion, the interests of clients and investors are sufficiently protected.

CHAPTER II

EXEMPTIONS FROM REGISTRATION

154. Each of the following is exempt from registration as a dealer or as a representative of a dealer:

(1) a bank incorporated under the Act respecting banks and banking (S.C., 1980-81-82, chapter 40) or the Quebec Savings Banks Act (R.S.C., 1970, chapter B-4), the Caisse centrale Desjardins du Québec established under the Act respecting La Confédération des caisses populaires et d'économie Desjardins du Québec (1971, chapter 80), a savings and credit union or a federation within the meaning of the Savings and Credit Unions Act (R.S.Q., chapter C-4) or a

trust company registered under the Trust Companies Act (R.S.Q., chapter C-41), to the extent that its part in securities transactions is merely to forward unsolicited orders to a dealer;

(2) a bank incorporated under the Act respecting banks and banking (S.C., 1980-81-82, chapter 40) or the Quebec Savings Banks Act (R.S.C., 1970, chapter B-4), the Caisse centrale Desjardins du Québec established under the Act respecting La Confédération des caisses populaires et d'économie Desjardins du Québec (1971, chapter 80), a savings and credit union or a federation governed by the Savings and Credit Unions Act (R.S.Q., chapter C-4), or a société d'entraide économique or a federation of sociétés d'entraide économique (R.S.Q., chapter S-25.1), to the extent that it distributes or sells securities designated in paragraphs 1 and 2 of section 41 of this Act;

(3) a bank incorporated under the Act respecting banks and banking (S.C., 1980-81-82, chapter 40) or a trust company registered in accordance with the Trust Companies Act (R.S.Q., chapter C-41), to the extent that it effects transactions in its premises

(a) in securities of an unincorporated mutual fund or mutual fund that it administers, provided the transactions are not effected by a remunerated salesman;

(b) in bonds pursuant to unsolicited orders, to the extent that the bank or trust company is itself the purchaser or seller and that it carries out the order for its own account with a registered dealer.

Applicable provisions.

155. However, notwithstanding the exemption provided in paragraph 2 or 3 of section 154, persons referred to therein must observe the requirements imposed by sections 160 to 163 and 166 of Chapter IV of this title.

Exemptions.

156. Each of the following persons is exempt from registration as an adviser or the representative of an adviser provided he gives advice solely as an ancillary activity and, in the case of the persons contemplated in paragraph 1, provided he derives no remuneration therefrom separate from what he ordinarily receives in carrying on his profession:

(1) a person practising the profession of advocate, notary or accountant, or any other profession determined by regulation, so long as he does not recommend to his clients an enterprise in which he or an associate has an interest;

(2) a dealer or his representative;

(3) a person who advises the public through the media, provided he does not own securities in the company concerned;

(4) a bank governed by the Act respecting banks and banking (S.C., 1980-81-82, chapter 40) or the Quebec Savings Banks Act (R.S.C., 1970, chapter B-4);

(5) a loan and investment society incorporated under a statute of Québec or registered in accordance with the Loan and Investment Societies Act (R.S.Q., chapter S-30);

(6) a savings and credit union or a federation within the meaning of the Savings and Credit Unions Act (R.S.Q., chapter C-4);

(7) a trust company registered under the Trust Companies Act (R.S.Q., chapter C-41);

(8) an insurance company holding the licence prescribed under the Act respecting insurance (R.S.Q., chapter A-32);

(9) a société d'entraide économique or the Fédération des sociétés d'entraide économique du Québec governed by the Act respecting the sociétés d'entraide économique and amending various legislation (1981, chapter 31).

Exemption.

157. A dealer or adviser who deals only with persons likely to be sophisticated purchasers within the meaning of section 44 of this Act is exempt from registration.

CHAPTER III

INFORMATION TO BE FURNISHED TO THE COMMISSION

Books, records and documents.

158. Every dealer or adviser shall keep the books, records and other documents required by regulation.

Filing of financial statements.

Within 90 days after the end of his financial year, he shall furnish to the Commission the financial statements, the auditor's report, and any other information, in accordance with the requirements fixed by the policy statements of the Commission.

Filing of changes.

159. In the cases determined by regulation, the registrant shall notify the Commission within ten days of any change in the information furnished at the time of registration.

Approval of changes.

In the cases determined by regulation, no change may be made unless the Commission approves or does not object within 30 days of receiving notice of the proposed change. If the Commission objects, it may prescribe what is to be done.

CHAPTER IV

OBLIGATIONS TOWARDS CLIENTS

160. The Government may, by regulation, determine the information that registrants must furnish to their clients in respect of transactions carried out for their account, and establish rules of management they must observe to safeguard the interests of their clients.

161. Before making a recommendation, a registrant must satisfy himself that it corresponds to the investment objectives and financial position described to him by his client.

162. On carrying out an order, a dealer shall without delay send to his client a confirmation slip in the form prescribed by regulation.

In addition, he shall send to him a statement of account in the form and at the times prescribed by regulation.

163. In no case may a dealer trade as principal in a security listed on a recognized stock exchange, except in accordance with the applicable rules of the exchange.

In the case of other securities, a dealer may trade as principal with a person other than a dealer, provided he states that he proposes to do so in every document and communication intended to promote transactions in a particular security. The statement does not prevent him from effecting transactions in the security as agent.

164. No dealer may vote for his own account securities registered in his name but not owned by him.

A dealer shall carry out the written instructions of the owner as to the voting of securities or as to the giving of a proxy to vote.

165. A dealer in whose name securities referred to in section 164 are registered shall forward to the owner of the securities all the documents received concerning them, if the owner has agreed to pay the costs. However, in the case of a take-over bid or an issuer bid, the author of the documents is responsible for the costs.

On request, the author of the documents shall without delay and at his own expense send the number of copies required by the dealer to discharge his obligation.

166. In every document containing recommendations in respect of securities of a company, the registrant must make the statement prescribed by regulation concerning the interests that he or any of his senior executives has in the securities.

Informa-
tion
document.

167. A dealer trading securities contemplated in section 67 for the account of his client must, before the first transaction in any particular market, remit to him the information document provided for in that section.

Credit
balances.

168. Credit balances appearing in the accounts of clients and not given in guarantee are funds payable on demand; in no case may a dealer use them except to finance his working capital on the conditions prescribed by regulation.

TITLE VI

SELF-REGULATORY ORGANIZATIONS

CHAPTER I

RECOGNITION

Recogni-
tion.

169. To carry on business in Québec, a stock exchange or a securities clearing-house must be recognized by the Commission as a self-regulatory organization.

Recogni-
tion.

In no case may a professional association regulate transactions in securities by its members unless it is recognized by the Commission as a self-regulatory organization.

Delegation.

170. The Commission, on such conditions as it may determine, may delegate to a recognized organization the application of the whole or part of Title V and the regulations thereunder.

Delegation.

Similarly, the Commission may delegate to a recognized organization the application of the regulations under paragraph 26 of section 331.

Release
from dele-
gated
duties.

171. To be released from delegated duties, an organization must obtain prior approval from the Commission, which may fix such conditions of release as it deems necessary for the protection of members and investors.

Applica-
tion.

172. To be recognized, an organization shall file an application with the Commission, together with such documents and information as the Commission may require.

Publication
in the
Bulletin.

173. The Commission shall publish notice of the application in the Bulletin provided for in section 298 and invite interested persons to make representations at a public hearing.

Discretion
of the
Commis-
sion.

174. The recognition of self-regulatory organizations is at the discretion of the Commission.

Recogni-
tion.

When the Commission has established that the constituting documents, by-laws and operating rules of an organization are in conformity with sections 175 and 176, it shall recognize the organization if it considers that its financial resources and administrative structure are adequate to its objects.

Require-
ments.

175. The constituting documents, by-laws and operating rules of an organization must provide for

(1) unrestricted membership for every person who fulfils the conditions of admission;

(2) equal access to services for every member;

(3) the disciplining of members or their representatives for breach of the by-laws or operating rules of the organization or contravention of this Act or the regulations.

Securities
clearing-
house.

However, the Commission shall determine the requirements applicable to a securities clearing-house.

Limitation
of compe-
tition

176. Every provision of the constituting documents, by-laws or operating rules of a self-regulatory organization that has the effect of limiting competition must be submitted to the Commission, which shall authorize the provision to the extent that it considers it necessary to protect the interests of investors.

Authori-
zation.

Any such provision has effect only after it has been authorized by the Commission.

CHAPTER II

SUPERVISORY POWERS OF THE COMMISSION

Amend-
ment to
constituting
documents.

177. Every draft amendment to the constituting documents, by-laws or operating rules of a recognized organization must be submitted to the Commission for approval.

Approval.

178. An amendment is deemed approved at the expiry of 30 days or any other period agreed on with the organization concerned, unless the Commission informs it that a public hearing is being called to hear representations on the merits of the proposed amendment.

Suspension
of rule or
by-law.

179. The Commission may at any time suspend the application of a provision of a by-law or operating rule of a recognized organization, on such terms and conditions as it sees fit.

Required
amend-
ment.

180. The Commission may order a registered organization to amend its constituting documents, by-laws or operating rules where it considers it necessary to make them conform to this Act or the regulations.

Prescription of a course of action.

181. The Commission may prescribe a course of action to a recognized organization if it considers it necessary for the proper operation of the organization or the protection of investors.

Representations.

182. Before rendering any decision that unfavourably affects the rights of any person, the Commission shall give to him an opportunity to be heard.

Representations.

However, where it is imperative to do so, it may render a decision described in the first paragraph without a prior hearing, provided that it gives to the person concerned an opportunity to be heard within fifteen days.

Decisions communicated to the Commission.

183. A recognized organization shall inform the Commission as soon as possible of every decision rendered under delegated powers, concerning the admission of a new member, or regarding discipline.

Financial statement.

184. Every recognized organization shall, within 90 days from the end of its financial year, file with the Commission the financial statements, the auditor's report and any other information, in accordance with the regulations.

Books and records.

185. Every recognized organization shall maintain and keep such books, records and other documents as the Commission may determine.

Cessation of activities.

186. A recognized organization wishing to cease doing business shall apply to the Commission for authorization.

Authorization.

The Commission shall grant the authorization on such conditions as it may determine if it considers that the interests of the members of the organization and of investors are adequately protected.

TITLE VII

PROHIBITIONS AND PENALTIES

CHAPTER I

USE OF PRIVILEGED INFORMATION AND MISCELLANEOUS PROHIBITIONS

Prohibited trading.

187. No person having privileged information on a security of a reporting issuer of which he is an insider within the meaning of section 89 may trade in securities of the issuer except in the following cases:

(1) he is justified in believing that the information is generally known or known to the other party;

(2) he avails himself of a plan for the acquisition of securities established before he learned the information.

Prohibited disclosure.

188. No person referred to in section 187 may disclose information referred to therein except in the following cases:

(1) he is justified in believing that the information is generally known or known to the other party;

(2) he must disclose the information in the course of business, having no ground to believe it will be used or disclosed contrary to section 187 or 189 or to this section.

Applicability of prohibitions.

189. The prohibitions set out in sections 187 and 188 also apply to the following persons:

(1) the senior executives referred to in section 94 or 95;

(2) affiliates of the reporting issuer;

(3) the management company and the distribution company of a mutual fund or unincorporated mutual fund, their senior executives and any person who is an insider of any of such companies or funds by the operation of section 89, 94 or 95;

(4) every person who has acquired privileged information in the course of his relations with the reporting issuer, as a result of that person's functions or of his engaging in business or professional activities;

(5) every person having privileged information that, to his knowledge, was disclosed by an insider or a person referred to in this section.

Personal use of information.

190. No person informed of the investment program established by a mutual fund or an unincorporated mutual fund or by an adviser who is a portfolio manager may use the information for his own benefit in trading in securities of an issuer included in the program.

Presumption of knowledge

191. In addition to the adviser, the following persons are deemed to have knowledge of the investment program of an adviser who is a portfolio manager, if they participate in formulating his investment decisions or his recommendations to the client for whom he manages the portfolio, or learn of them before they are implemented:

- (1) every partner of the adviser;
- (2) every legal person that is an affiliate of the adviser;
- (3) every senior executive of the adviser or of a legal person that is an affiliate of the adviser;
- (4) every member of the personnel of the adviser or of a legal person that is an affiliate of the adviser.

Prohibited
representations.

192. No person may make any representation that the Commission has passed upon the merits of any security or upon the financial situation, fitness or conduct of any registrant.

Prohibited
multiple
transactions.

193. No dealer or adviser may multiply transactions for the account of a client solely to increase his remuneration.

Short
sales.

194. No person may sell a security short without previously notifying the dealer responsible for carrying out the transaction.

CHAPTER II

OFFENCES

Offences.

195. It is an offence

- (1) to contravene a decision of the Commission;
- (2) to fail to fulfil an undertaking with the Commission;
- (3) to fail to furnish, within the prescribed time, information or a document required by this Act or the regulations;
- (4) to fail to appear after summons, to refuse to testify or to refuse to send or remit any document or thing required by the Commission or an agent appointed by it in the course of an investigation.

Offence.

196. Every person is guilty of an offence who makes a misrepresentation that is likely to affect the value or the market price of a security in any of the following documents:

- (1) the different kinds of prospectuses or the offering notice provided for in Title II;
- (2) the information presented in the annual report and incorporated in the simplified prospectus;
- (3) the information in respect of a reporting issuer provided for in paragraph 1 of section 85;
- (4) the information document provided for in section 67;

(5) the annual, semi-annual or quarterly financial statements provided for in Title III;

(6) the press release provided for in Title III;

(7) the circular prepared in connection with a solicitation of proxies in accordance with Title III;

(8) the take-over bid circular and issuer bid circular provided for in Title IV.

Offence. **197.** Every person is guilty of an offence who in any manner not specified in section 196 makes a misrepresentation

(1) in respect of a transaction in a security;

(2) in the course of soliciting proxies or sending a circular to security holders;

(3) in the course of a take-over bid, a take-over bid by way of an exchange of securities or an issuer bid;

(4) in any document or information filed with the Commission or one of its agents;

(5) in any document forwarded or record kept by any person pursuant to this Act.

Conviction. **198.** The mere proof that any provision of sections 187 to 192, 194 or 199 has been contravened entails the conviction of the accused person, subject to the grounds of defence provided for therein.

Offences. **199.** It is an offence, in effecting a transaction in a security,

(1) to represent that it will be resold or repurchased, except where it carries such a right;

(2) to represent that all or part of the purchase price will be refunded, except where the security carries such a right;

(3) to give an undertaking relating to the future value or price of the security, except so far as that value is guaranteed on the security itself;

(4) to declare that the security will be listed or that an application therefor has been or will be made, except with the express authorization of the Commission.

Exception. However, a person may, in the case of a transaction for more than \$50 000, undertake, by a written instrument, to resell, repurchase or refund securities.

Exception. In addition, certain distributions may be exempted from the application of subparagraphs 1 and 2 of the first paragraph with the

authorization of the Commission and on the conditions that it determines.

Offence. **200.** Every person who, not being registered as a dealer or adviser, gives out information to investors intended to influence their investment decisions and derives an advantage therefrom separate from his ordinary remuneration is guilty of an offence.

Offence. **201.** An adviser who is a portfolio manager is guilty of an offence if, in carrying out his mandate, he knowingly participates in any of the following transactions:

(1) the making of a loan or a guarantee to an issuer in which a person referred to in section 191 or an associate of that person is a senior executive, except with the written authorization of the client for whom the portfolio is managed given with full knowledge of the facts;

(2) the purchase of securities from an issuer referred to in paragraph 1, except with the written authorization of the client for whom the portfolio is managed given with full knowledge of the facts;

(3) a securities transaction with a person referred to in section 191 or an associate of that person;

(4) the making of a loan or a guarantee to a person referred to in section 191 or an associate of that person.

CHAPTER III

PENAL PROVISIONS

Offence. **202.** Every person who contravenes this Act is guilty of an offence.

Penalties. Every person guilty of an offence under this Act is liable, in addition to costs, to the following penalties:

(1) in the case of a natural person, a fine of \$500 to \$10 000 and imprisonment for one month to two years, or only one of these penalties;

(2) in other cases, a fine of \$500 to \$25 000.

Determination of the penalty. In determining the penalty, the court shall take particular account of the harm done to the investors and the advantages derived from the offence.

Offence. **203.** Every contravention of a regulation made under this Act is an offence subject to the same provisions as offences under this Act.

Offence
and
penalty.

204. Every person guilty of an offence under sections 187 to 190 or section 196 or 197 is liable, in addition to costs, to a fine of \$5 000 to \$100 000 and to imprisonment for one month to two years or to only one of these penalties.

Determina-
tion of the
penalty.

In determining the penalty, the court shall take particular account of the harm done to the investors and the advantages derived from the offence.

Complicity.

205. Every senior executive or employee of the principal offender, including a person remunerated on commission, who authorizes or permits an offence under this Act is liable to the same penalties as the principal offender.

Acquittal.

206. Subject to section 198, a person accused of an offence described in this Act shall be acquitted if he proves that he acted with prudence and diligence or on the basis of reasonable error.

Conspiracy.

207. Every conspiracy to commit an offence under this Act is an offence punishable by the penalties provided in section 202 or 204, according to the offence.

Complicity.

208. Complicity in an offence under this Act, including omission, and abetting anyone to commit such an offence, is an offence and is punishable by the penalties provided in section 202 or 204, according to the offence.

Proceed-
ings.

209. Proceedings under sections 202 to 208 are brought in accordance with the Summary Convictions Act (R.S.Q., chapter P-15).

Proceed-
ings.

210. No proceedings may be brought under this Act except by the Commission or the Attorney General.

Prescrip-
tion.

211. A penal action for an offence under this Act is prescribed by the lapse of two years from the date the Commission first has knowledge of the facts giving rise to the action.

Investiga-
tion costs.

212. The Commission may recover its costs for an investigation from any person found guilty of an offence under this Act or under the securities legislation of another legislative authority.

Notice.

The Commission shall prepare a statement of costs and present it to a judge of the Provincial Court after giving the interested parties five days' advance notice of the date of presentation.

Taxation
of costs.

The judge shall tax the costs, and his decision may be appealed with leave of a judge of the Court of Appeal.

Warrant of arrest. **213.** A judge of the Sessions or a judge of the Provincial Court may, upon satisfactory proof of the authenticity of the signature thereon, endorse a warrant of arrest issued by a judge of another province against any person on a charge of contravening the securities legislation of that province.

Execution. The warrant so endorsed is sufficient authority to the bearer or any peace officer of Québec to execute it and take the person arrested to the place indicated in the warrant.

TITLE VIII

CIVIL ACTIONS

CHAPTER I

TRANSACTIONS EFFECTED WITHOUT A PROSPECTUS OR CIRCULAR

Rescission of transaction. **214.** Every person who has subscribed for or acquired securities in a distribution of securities effected without the prospectus required under Title II may apply to have the transaction rescinded or the price revised, at his option, without prejudice to his claim for damages.

Damages. The plaintiff may claim damages from the issuer or the holder, as the case may be, whose securities were distributed without a prospectus, from its senior executives, or from the dealer responsible for the distribution.

Damages. However, if the plaintiff did not receive the prospectus he was entitled to receive, he has no claim in damages except against the dealer required to send the prospectus to him pursuant to section 29.

Rescission of transfer. **215.** Every person who has transferred securities in response to a take-over bid or issuer bid effected without the circular required under Title IV may apply to have the transfer rescinded or the price revised, at his option. In addition, the plaintiff may claim damages from the offeror and the senior executives of the offeror.

Damages. If a holder did not receive the circular he was entitled to receive, he may claim damages from the offeror and from the senior executives of the offeror.

Defence. **216.** The defendant in an action for damages under section 214 or 215 is responsible for damages unless it is proved that the absence of a prospectus or circular was not imputable to any act on his part.

CHAPTER II

TRANSACTIONS EFFECTED WITH DOCUMENTS
CONTAINING A MISREPRESENTATION

217. A person who has subscribed for or acquired securities in a distribution effected with a prospectus containing a misrepresentation may apply to have the contract rescinded or the price revised, without prejudice to his claim for damages.

Defence. The defendant may defeat the application only if it is proved that the plaintiff knew, at the time of the transaction, of the alleged misrepresentation.

Damages. **218.** The plaintiff may claim damages from the issuer or the holder, as the case may be, whose securities were distributed, from its senior executives, or from the dealer under contract to the issuer or holder whose securities were distributed.

Damages. **219.** The plaintiff may also claim damages from the expert whose opinion, containing a misrepresentation, appeared, with his consent, in the prospectus.

Defence. **220.** The defendant in an action provided for in sections 218 and 219 is responsible for damages unless it is proved that

(1) he acted with prudence and diligence, except in an action brought against the issuer or the holder whose securities were distributed, or that

(2) the plaintiff knew, at the time of the transaction, of the alleged misrepresentation.

Rights of action. **221.** Rights of action established under sections 217 to 219 may also be exercised if a misrepresentation is contained in

(1) the information presented in the permanent information record and incorporated in the simplified prospectus;

(2) the offering notice provided for in section 53;

(3) any other document authorized by the Commission for use in lieu of a prospectus.

Rescission of transfer. **222.** A person who has transferred securities in response to a take-over bid or issuer bid effected with a circular containing a misrepresentation may apply to have the transfer rescinded or the price revised.

Defence. The defendant may defeat the application only if it is proved that, at the time of the transfer, the plaintiff knew of the alleged misrepresentation.

Damages. **223.** The plaintiff may also claim damages from the offeror and its senior executives and from the expert whose opinions, containing a misrepresentation, appeared, with his consent, in the circular.

Defence. **224.** The defendant in an action provided for in section 223 is responsible for damages unless it is proved that

(1) he acted with prudence and diligence, except in the case of the offeror, or that

(2) the plaintiff knew, at the time of the transfer, of the alleged misrepresentation.

Right of action. **225.** Any misrepresentation contained in any of the documents prescribed in sections 121 to 123 prepared by the board of directors or any of the senior executives of the offeree issuer gives rise to a right of action in damages, in favour of all the holders of securities of the offeree issuer at the time of the bid, against the signatory or signatories of the document.

Defence. The defendant is responsible for damages, subject to the grounds for defence set forth in section 224.

CHAPTER III

USE OF PRIVILEGED INFORMATION

Responsibility. **226.** Every person who carries out a transaction contrary to section 187, 189 or 190 is responsible for the harm suffered by the other party to the transaction.

Responsibility. **227.** Every person who discloses privileged information in contravention of section 188 or 189 is responsible for damages caused to a third person as a result of a transaction effected with the person who used the information so disclosed.

Recoverable benefit. **228.** Every person using privileged information contrary to section 187 or 190 is also accountable for the benefit accruing to him from the prohibited transaction, after repairing the harm caused, to the following persons:

(1) the issuer of the securities concerned, in the case of an offence under section 187;

(2) the mutual fund or the client for whom the portfolio is managed, in the case of an offence under section 190.

Action for recovery.

229. With the authorization of the court, obtained on a motion served on the issuer, the mutual fund or the unincorporated mutual fund, the rights of action for recovery under section 228 may be exercised, in the name of and for the account of the holders of shares, by a person who was at the time of the prohibited transaction or is at the time of the motion a holder of outstanding securities of the issuer, the mutual fund or the unincorporated mutual fund.

Intervention.

230. Every holder who satisfies the conditions set forth in section 229 may also intervene in an action instituted under section 228 or 229.

Authorization.

231. To obtain the authorization provided for in section 229, it must be established that the senior executives of the issuer, of the mutual fund or of the unincorporated mutual fund have failed to institute the action, or have failed to prosecute it diligently.

Court order.

232. The court may make any necessary order to facilitate the timely exercise of a holder's right to institute or intervene in an action. In particular, it may charge the holder's costs to the issuer.

Action by the Commission.

233. The Commission has an interest to bring an action under section 229 or 230 in the same manner as a holder.

CHAPTER IV

PRESCRIPTION

Prescription.

234. Any action for rescission or for revision of the price under this title is prescribed by the lapse of one year from the date of the transaction.

Prescription.

235. Any action for damages under this title is prescribed by the lapse of one year from knowledge of the facts giving rise to the action, except on proof that tardy knowledge is imputable to the negligence of the plaintiff.

Limitations.

236. However, the prescriptive periods under section 235 are subordinate to the following limitations:

(1) three years from the transaction, in the case of actions under the second paragraph of sections 214 and 215 and under sections 226, 227 and 228;

(2) three years from the filing of the information document with the Commission, in the case of actions under sections 218, 219, 221, 223 and 225.

TITLE IX

ENFORCEMENT

CHAPTER I

POWERS OF INVESTIGATION

Docu-
ments.

237. The Commission or its appointed agent may require any document or information it considers expedient for the discharge of its functions to be submitted to it by any of the following persons:

(1) a registrant;

(2) a recognized self-regulatory organization or one of its members;

(3) a reporting issuer;

(4) the depository of the assets of a mutual fund or of an unincorporated mutual fund;

(5) a person submitting an application to the Commission, or filing with it documents required by the Act or the regulations, and the issuer to whom the application or the documents relate.

Authenti-
city.

In addition, the Commission or its agent may require such persons to confirm by affidavit or solemn affirmation the authenticity or veracity of submitted documents or information.

Delegation

In the case of a member of a self-regulatory organization, the Commission may, on the conditions it determines, delegate its powers under this section and section 238 to the self-regulatory organization.

Oath.

238. The Commission or its appointed agent may require any person referred to in section 237 or any senior executive or employee thereof to submit to examination under oath.

Investiga-
tion.

239. The Commission may order an investigation to aid it in the due administration of this Act and the regulations or to repress contraventions to the Act or the regulations, or the securities legislation of another legislative authority.

Investiga-
tion.

The Commission may also order an investigation to ascertain, following a complaint, whether it would be advisable to recommend that the Minister appoint an administrator.

Applicable
provisions.

240. The first paragraph of section 6, and sections 9, 10, 11, 12, 13 and 16 of the Act respecting public inquiry commissions (R.S.Q., chapter C-37) apply, *mutatis mutandis*, to investigations under this chapter.

Powers of the Commission. The Commission has, for the purposes of an investigation, all the powers of a judge of the Superior Court, except to order imprisonment.

Testimony. **241.** No person called upon to testify in the course of an investigation may refuse to answer or to produce any document on the ground that he might thereby be incriminated or exposed to a penalty or civil proceedings, subject to the Canada Evidence Act (R.S.C., 1970, chapter E-10).

Documents. **242.** The Commission may require the submission or delivery of any document related to the object of the investigation. The Commission has the power to return the documents remitted to it or to determine whether or not it is advisable to do so.

Inspection and reproduction. **243.** A person who has remitted documents to the Commission pursuant to section 242 may inspect them or copy them at his own expense, by arrangement with the Commission.

In camera. **244.** Investigations made under section 239 are held in camera.

Prohibited disclosure. **245.** The Commission may forbid a person to disclose any information relating to an investigation to anyone but his advocate.

Assistance. **246.** A person called on to testify at an investigation or on an examination may be assisted by the advocate of his choice.

Appointee. **247.** The Commission may, without relinquishing charge of an investigation, appoint a person to carry it out.

Oath. The appointed person must be sworn before a judge of the Provincial Court or before a member of the Commission in the manner provided in section 2 of the Act respecting public inquiry commissions (R.S.Q., chapter C-37), *mutatis mutandis*.

Proof of appointment. **248.** The investigator must prove his appointment on request.

Powers. For the purposes of the investigation, the investigator has all the powers of the Commission, except to cite for contempt of court.

Report. The investigator shall report to the Commission, and place the transcript of testimony and the documents relating to the investigation at its disposal.

CHAPTER II

CONSERVATORY MEASURES

DIVISION I

FREEZE ORDERS

- 249.** The Commission may, in view of or in the course of an investigation,
- (1) order the person who is or is about to be under investigation not to dispose of the funds, securities or other assets in his possession;
- (2) order the person who is or is about to be under investigation to refrain from withdrawing funds, securities or other assets from any other person having them on deposit, under control or in safekeeping;
- (3) order any other person not to dispose of the funds, securities or other assets referred to in paragraph 2.
- 250.** An order made under section 249 is effective for a renewable period of 90 days from the time the person concerned is notified.
- 251.** If the person named in an order under paragraph 3 of section 249 has leased a safety deposit box to the person concerned or put it at his disposal, he must immediately notify the Commission.
- At the request of the Commission, the person shall break open the safety deposit box in the presence of an agent of the Commission, draw up an inventory of the contents in triplicate, and give one copy to the Commission and one copy to the person concerned.
- 252.** No order made under section 249 applies to funds or securities in a clearing-house or with a transfer agent, unless it so states.
- 253.** Where an order made under paragraph 3 of section 249 concerns a bank, loan and investment society or trust company, it applies only to the branches or agencies mentioned therein.
- 254.** An order made under section 249 applies also to funds, securities and other assets received after the effective date of the order.

Freeze order.

Effective period.

Safety deposit box.

Safety deposit box.

Applicability of the order.

Applicability of the order.

Applicability of the order.

Applica-
bility of
the order.

255. Every person directly affected by an order made under section 249, if in doubt as to the application of the order to particular funds, securities or other assets, may apply to the Commission for clarification.

Registry
office.

256. The Commission may notify the registry office or the Ministère de l'Énergie et des Ressources of any order made under section 239 or 249, for registration.

Prior right.

An order registered under this section may be set up against any person whose right is registered subsequently.

DIVISION II

PROVISIONAL ADMINISTRATION AND WINDING-UP

Provisional
administra-
tor.

257. The Commission may recommend that the Minister appoint a provisional administrator to administer the property of a person or the affairs of a company in the place of the board of directors in any of the following cases:

- (1) where an investigation is being made in respect of the person;
- (2) where the Commission considers that one or more senior executives of the person have committed a malversation, a breach of trust or any other offence;
- (3) where the management by the senior executives is being effected in an unacceptable manner, having regard to generally accepted principles, and is of a nature that would tend to depreciate the securities issued by the person;
- (4) where the Commission deems it imperative that the clients of a registrant or the holders of securities be protected.

Representa-
tions.

258. Before appointing a provisional administrator, the Minister shall give the person concerned an opportunity to be heard.

Representa-
tions.

The Minister may, however, where it is imperative to do so and if the Commission so recommends, make the order first, provided that the person concerned is given an opportunity to be heard within 15 days.

Possession
of
property.

259. Subject to the terms of his mandate under the order, the provisional administrator shall take possession of the property belonging to the person named in the order or held by him for any other person.

Report.

260. At the request of the Minister or the Commission, the provisional administrator shall report his findings and the execution of his mandate to both of them.

Powers of the Minister.

261. The Minister may, on the recommendation of the Commission,

- (1) rescind or prolong an order;
- (2) dismiss a member of the board of directors or declare him disqualified for such office, and provide for his replacement;
- (3) order the winding-up of the property of the person concerned and appoint a liquidator;
- (4) order the winding-up of the company concerned and appoint a liquidator.

Winding-up order.

Every order of the Minister for the winding-up of the company concerned has the same effect as an order of a judge of the Superior Court under section 25 of the Winding-Up Act (R.S.Q., chapter L-4).

Fees and expenses.

262. The fees and expenses of the provisional administrator and the liquidator for the execution of their mandates are taken out of the total assets administered, after approval by the Minister.

Subrogation.

If the assets are insufficient or in case of insolvency, the fees and expenses are borne by the Government, which is subrogated in the rights of the provisional administrator or the liquidator.

CHAPTER III

OTHER POWERS OF THE COMMISSION

Exemptions.

263. The Commission may, on such conditions as it may determine, exempt a person or a group of persons from any or all of the requirements under Titles II to VI or the regulations where it considers the exemption not to be detrimental to the protection of investors.

Decision.

The decision is without appeal.

Denial of exemption.

264. The Commission may deny the benefit of an exemption contained in this Act or the regulations where it considers it necessary to do so to protect investors.

Denial of exemption.

In particular, the Commission may deny the benefit of an exemption to any person who has

- (1) made improper use of such an exemption;
- (2) contravened this Act or the regulations;
- (3) contravened any other provision regarding securities;

(4) contravened the rules of a recognized stock exchange.

265. The Commission may order a person to cease any activity in respect of a transaction in securities.

Cessation
of activity.

The Commission may, furthermore, order any person or category of persons to cease any activity in respect of a transaction in a particular security.

Cessation
of activity.

266. The Commission may also order a person to cease carrying on business as an adviser.

Cessation
of business
as adviser.

267. An order made under section 265 or 266 has effect from the time the person concerned is notified or becomes aware of it.

Effect of
order.

In the case of an order concerning a category of persons, publication of the order in the Bulletin or its distribution by any other medium ordinarily available to the persons concerned in the exercise of their profession is valid as notification under the first paragraph.

Publication
of order.

268. The Commission may, by a motion, apply to a judge of the Superior Court for an injunction in respect of any matter relating to this Act or the regulations.

Injunction.

The motion for an injunction is an action.

Injunction.

The procedure prescribed in the Code of Civil Procedure applies, except that the Commission is not required to give security.

Procedure.

269. The Commission may, *ex officio* and without notice, intervene in any civil action relating to any provision of this Act or the regulations to participate in the proof and hearing.

Interven-
tion.

270. The Commission may prohibit or place restrictions on representations in view of a transaction in a particular security.

Representa-
tions.

271. The Commission may order a registrant to submit any advertising document to it before using it.

Advertis-
ing
document.

The Commission may prohibit the use of the advertising document or require it to be changed.

Prohibi-
tion.

272. The Commission may refuse the filing of documents part or all of which were prepared or signed by a person who during the five years preceding the date of the filing has been found guilty of or has pleaded guilty to a disciplinary, penal or indictable offence in a matter pertaining to securities, unless he has obtained a pardon therefor.

Refusal of
filing.

- Reprimand. **273.** The Commission may reprimand a registrant or a self-regulatory organization.
- Representations. The Commission must give the person concerned prior opportunity to be heard.
- Policy statement. **274.** The Commission may draw up policy statements defining the requirements following from the application of section 276, within its discretionary powers.
- Refund of fees. **275.** The Commission may recommend to the Minister of Finance that a refund be made of all or part of any fees collected.

TITLE X

ADMINISTRATION OF THE ACT

CHAPTER I

THE COMMISSION DES VALEURS MOBILIÈRES
DU QUÉBEC

- Commission continued. **276.** The Commission des valeurs mobilières du Québec established under the Securities Act (R.S.Q., chapter V-1) is continued; the Commission is responsible for the administration of this Act and has the duties provided for therein.
- Function. The function of the Commission is
- (1) to promote efficiency in the securities market;
 - (2) to protect investors against unfair, improper or fraudulent practices;
 - (3) to regulate the information that must be disclosed to security holders and to the public in respect of persons engaged in the distribution of securities and of the securities issued by these persons;
 - (4) to define a framework for the professional activities of persons dealing in securities, for associations of such persons and for bodies entrusted with supervising the securities market.
- Composition. **277.** The Commission is composed of not more than seven members, including a chairman and two vice-chairmen, appointed by the Government for a term not exceeding five years.
- Chairman and vice-chairmen. The chairman and the two vice-chairmen hold office on a full time basis; the other members hold office on a part time basis.

Remuneration.

278. The Government shall fix the remuneration, social benefits and other conditions of employment of the members of the Commission. Their remuneration, once fixed, cannot be reduced.

Replacement.

279. If the chairman is absent or temporarily unable to act, the Minister shall designate the vice-chairman who is to act as chairman in the interim.

Continuance in office.

280. A member of the Commission remains in office at the expiry of his term until he is reappointed or replaced, unless the Government decides otherwise.

Jurisdiction.

A member of the Commission who has been replaced continues to have jurisdiction in the cases before him.

Conflict of interest.

281. No member of the Commission may, under pain of forfeiture of office, have any interest in an undertaking that might put his personal interest in conflict with his duties of office.

Conflict of interest.

However, forfeiture is not incurred if he acquires an interest by succession or gift, provided that he renounces or disposes of it with diligence.

Dismissal.

282. The Government may dismiss a member of the Commission, where the Court of Appeal, after making an inquiry at the request of the Minister, so recommends.

Immunity.

283. Neither a member of the Commission or of its personnel nor its appointed agent may be prosecuted for official acts done in good faith in the exercise of his functions.

Recourses.

284. No extraordinary recourse provided for in articles 834 to 850 of the Code of Civil Procedure may be exercised nor any injunction granted against the Commission or its members or agents acting in their official capacity.

Superintending power.

285. Article 33 of the Code of Civil Procedure does not apply to the Commission nor to the persons contemplated in section 284.

Annulment of decision.

286. A judge of the Court of Appeal, upon motion, may annul summarily any decision rendered contrary to section 284 or 285.

Head office.

287. The Commission has its head office in the city of Montréal.

Sittings.

288. The Commission may hold sittings anywhere, even outside Québec.

Conference calls.

289. Deliberations conducted by the members of the Commission by way of a conference telephone call are valid.

- Quorum. **290.** Two members are a quorum of the Commission. In case of a tie-vote, the chairman has a casting vote.
- Tie-vote. **291.** In case of a tie-vote in the absence of the chairman, the matter is referred to him.
- Experts. **292.** The Commission may appoint any expert whose assistance it deems expedient for the exercise of its functions.
- Authenticity of minutes. **293.** The minutes of the sittings of the Commission are authentic if they are approved by the Commission and signed by the chairman, the secretary or a member of the Commission.
- Authenticity of documents. The same holds true of a document emanating from the Commission or forming part of its records, and of any copy of such a document, if certified by the chairman, the secretary or a person designated by the Commission.
- Service. **294.** Documents intended for the Commission are served on the secretary.
- Validity of attestations. **295.** Any attestation issued by the Commission respecting the registration of a person, the filing of a document, the time that the facts upon which proceedings may be brought came to the knowledge of the Commission and any other matter pertaining to the administration of this Act is proof of its content in any civil or penal proceedings without other proof of the signature or office of the person attesting.
- Public inspection. **296.** All documents required to be filed under this Act or the regulations are open to public inspection at the head office of the Commission; they may also be reproduced or circulated in whole or in part.
- Confidentiality. However, the Commission may, if it deems it advisable, hold certain documents to be confidential.
- Authorized inspection. **297.** Investigation reports and supporting evidence may be inspected only with the authorization of the Commission.
- Bulletin. **298.** The Commission must publish a bulletin periodically to inform financial circles of its activities. The Bulletin must contain, in particular, applications received, decisions rendered, policy statements and information filed.
- Appointment and remuneration. **299.** The members of the personnel of the Commission are appointed and remunerated in accordance with the Civil Service Act (R.S.Q., chapter F-3.1).

Chief executive officer.

The chairman is a chief executive officer of an agency within the meaning of the Civil Service Act.

Regulations.

300. The Government shall, by regulation, determine rules of ethics and penalties applicable to members of the Commission and the procedure to be followed in imposing such penalties.

Regulations.

301. The Government shall, by regulation, determine special rules of ethics applicable to the members of the personnel of the Commission, and corresponding penalties.

Appeal.

An appeal may be made on the conditions set forth in section 97 of the Civil Service Act.

Annual report.

302. Every year, before the end of June, the Commission shall remit to the Minister a report of its activities for the preceding fiscal year.

Tabling.

The report of activities must be tabled before the National Assembly of Québec within thirty days of receiving it if the Assembly is in session or, if it is not sitting, within thirty days of the opening of the next session, or of resumption.

Information to the Minister.

303. The chairman shall furnish to the Minister any information and any report that he may require on the activities of the Commission.

Fiscal year.

304. The fiscal year of the Commission ends on 31 March.

Audit.

305. The books and accounts of the Commission are audited every year by the Auditor General and also whenever required by the Government.

CHAPTER II

DELEGATION OF POWERS

Agreements.

306. The Government may, according to law, enter into an agreement with another government for the delegation of powers conferred on the Commission by this Act or conferred on a similar body by an Act of another legislative authority.

Delegation.

307. The Commission may, subject to section 308, delegate to one of its members or a member of its personnel any power resulting from this Act or the regulations or an agreement referred to in section 306. Every decision to delegate power must be published in the *Gazette officielle du Québec*.

Review of
decisions.

308. The Commission has sole authority to review its decisions, order an investigation, institute proceedings under this Act, render a decision in accordance with Title VI, make a freeze order under Title IX or recommend to the Minister the appointment of a provisional administrator, the liquidation of the property of a person or the liquidation of a company.

CHAPTER III

CONTROL EXERCISED BY THE COMMISSION

Decision.

309. The Commission may call before it any matter that is before a person exercising a delegated power and decide it in his stead.

Review.

310. The Commission may, *ex officio*, review any decision rendered by a person exercising a delegated power or by a self-regulatory organization.

Representations.

The self-regulatory organization is entitled to be heard at the times prescribed under sections 317 and 318.

Referral.

311. Any person hearing a matter pursuant to a delegation of power may refer it to the Commission.

CHAPTER IV

HEARINGS

Hearings.

312. The Commission may hold hearings in conjunction with and consult with any other authority empowered to supervise trading in securities.

Rules of
procedure.

313. The Commission shall determine the rules of procedure applicable to its hearings.

Applicable
provisions.

314. Sections 240 to 246 apply to any hearing of the Commission, *mutatis mutandis*.

Recording
of
testimony.

315. Any person appearing before the Commission may request that the testimony be recorded, at his own expense. If the person causes the testimony to be recorded, he is required, at the request of the Commission, to provide it with a copy of the transcript.

CHAPTER V

DECISIONS

316. The Commission shall exercise the discretion conferred on it in accordance with the public interest.

317. The Commission or a person exercising delegated powers, before rendering a decision that adversely affects the rights of a person, must give the person an opportunity to be heard.

318. However, a decision adversely affecting the rights of a person may, where it is imperative to do so, be rendered without a prior hearing.

In such a case, the person rendering the decision must give the person concerned the opportunity to be heard within 15 days.

319. The Commission or the person exercising delegated powers must substantiate every decision that adversely affects the rights of a person.

320. The Commission shall send to the person concerned the decision rendered by it or by a person exercising delegated powers, except a decision rendered by a self-regulatory organization and sent by the organization itself.

321. The Commission may review its decisions at any time.

A person having rendered a decision under delegated powers may review it if justified by a new fact.

322. A person directly affected by a decision rendered under delegated powers or by a self-regulatory organization may within 30 days apply for a review of the decision by the Commission.

323. The application for review does not suspend the execution of the decision contested, unless the Commission decides otherwise.

CHAPTER VI

APPEALS

324. Any person directly interested in a decision of the Commission may, if the testimony has been recorded, appeal therefrom to three judges of the Provincial Court.

- Notice. **325.** The appeal is made by filing a notice to that effect with the secretary of the Commission within 30 days from the date of the decision appealed from.
- Service. Filing of the notice is in lieu of service on the Commission.
- Notice. **326.** The secretary shall immediately send the notice to the office of the Provincial Court at Montréal or Québec, at the option of the appellant.
- Copies. The secretary shall send to the office, in four copies, in lieu of the joint record, the decision appealed from, the transcript of the recording and every other pertinent document.
- Applicable provisions. **327.** The appeal is governed by articles 491 to 524 of the Code of Civil Procedure, *mutatis mutandis*. However, the parties are required to file only four copies of the factum of their pretentions.
- Rules of practice. **328.** The rules of practice of the Court of Appeal in civil matters also apply, except that the secretary of the Commission is substituted for the prothonotary of the Superior Court.
- Execution. **329.** An appeal does not suspend the execution of the decision appealed from, unless the Commission or a judge of the Provincial Court decides otherwise.
- Decision. **330.** The decision of the three judges of the Provincial Court is without appeal.

TITLE XI

REGULATIONS AND TRANSITIONAL AND FINAL PROVISIONS

CHAPTER I

REGULATIONS

- Regulations. **331.** In addition to the regulatory powers provided elsewhere in this Act, the Government may, by regulation,
- (1) prescribe the form and content of the documents and attestations provided for by this Act or the regulations;
 - (2) make the issue of a receipt of the Commission in respect of a prospectus subordinate to certain conditions or a written undertaking;
 - (3) prescribe that information, even if not specifically provided for by this Act, be furnished to the Commission, to security holders and to investors;

(4) prescribe the cases where the abridged prospectus provided for in section 65 of this Act may be prepared;

(5) establish rules respecting the furnishing of information to the public or to the Commission relating to securities or trades in securities;

(6) define requirements governing the keeping of accounts and records and other documents of issuers, dealers and advisers and self-regulatory organizations, and the preparation and audit of their financial statements;

(7) permit the substitution, for certain documents or attestations provided for in this Act, of documents required under the statutes of another legislative authority, provided that they contain equivalent information;

(8) give to the rules or standards established by a self-regulatory organization or a professional association the force of a regulation made under this Act, as amended;

(9) exempt, with or without conditions, a category of persons, securities or transactions from all or part of the requirements under this Act or the regulations;

(10) prescribe the procedure applicable to any matter respecting the application of this Act;

(11) establish the rescission rights and the commissions and other sales charges pertaining to a contractual plan for the acquisition of securities;

(12) establish the requirements of a registrant or a self-regulatory organization following a transaction in counterfeit, lost or stolen securities;

(13) prohibit or subordinate to certain conditions any activity designed to fix or stabilize the quoted price of a security;

(14) determine the conditions on which a person residing outside Québec may apply for registration or hold an interest in the capital of a registrant;

(15) determine the margin of variation provided for in section 116 of this Act;

(16) determine the other forms of investment that are subject to this Act;

(17) prohibit the use of an advertising document in connection with a distribution;

(18) prescribe the cases where the Commission may refuse to issue a receipt in respect of a prospectus provided for in Title II;

(19) prescribe the categories of issuers who may prepare a simplified prospectus or a permanent information record of a special form;

(20) prescribe the conditions on which an organization may qualify under section 67 of this Act;

(21) prescribe the clauses that must be contained in the contract provided for in section 47;

(22) establish, for the purposes of section 119, the offeror's mode of authorization;

(23) define, in view of the application of section 159, the changes that must be notified to the Commission and those for which approval must be obtained from the Commission;

(24) determine the professions which may avail themselves of the exemption provided for in paragraph 1 of section 156 of this Act;

(25) define the conditions of the use by dealers of credit balances not given in guarantee;

(26) establish rules governing the over-the-counter market;

(27) prescribe the fees exigible for any formality provided for in this Act or the regulations and for services rendered by the Commission and the terms and conditions of payment.

Regulations.

332. In respect of mutual funds and unincorporated mutual funds, the Government may, by regulation,

(1) establish operating rules pertaining to the management, safekeeping and composition of its assets;

(2) prohibit or make subject to conditions transactions in securities with and loans made to persons who are not entirely independent of the mutual fund or unincorporated mutual fund.

Categories.

333. In exercising its regulatory powers, the Government may establish various categories of persons, securities and transactions and prescribe the rules applicable to each category.

Discretionary power.

334. The Government may, by regulation under this Act, grant a discretionary power to the Commission.

Draft regulations.

335. The Government must publish its draft regulations in the *Gazette officielle du Québec*, with a notice stating that they are to be adopted at the expiry of a period of 45 days.

Coming in-
to force.

A regulation comes into force on the day of publication in the *Gazette officielle du Québec* of a notice of its adoption by the Government or, where amended by the latter, of its final text, or on a later date fixed in the notice or in the final text.

Coming in-
to force.

However, draft regulations tabled in the National Assembly of Québec before the adoption of this Act come into force on the date of their publication in the *Gazette officielle du Québec*.

CHAPTER II

TRANSITIONAL AND FINAL PROVISIONS

R.S.Q., c.
V-1, 1979,
c. 79,
replaced.

336. This Act replaces the Securities Act (R.S.Q., chapter V-1) and the Act to amend the Securities Act in its applicability to the contract of concession or of franchising (1979, chapter 79).

Conti-
nuance of
1973, c.
67, s. 27.

However, section 27 of the Act to amend the Securities Act (1973, chapter 67) remains in force notwithstanding any inconsistent provision.

Mainten-
ance of
registra-
tions.

337. Every registration made and permission granted to distribute securities or a prospectus under the Securities Act (R.S.Q., chapter V-1) continues to have full effect notwithstanding the replacement of the said Act by this Act.

Applica-
bility.

The first paragraph also applies to other decisions rendered under the said Act.

Conti-
nuance of
proceed-
ings.

Every proceeding for an offence against the Securities Act (R.S.Q., chapter V-1) is brought or continued in accordance with the said Act.

Presump-
tion of
distribu-
tion.

338. For the application of section 68, every issuer is deemed to have made a distribution of its securities to the public

(1) that was authorized by the Commission, at any time from 1 May 1955 to the coming into force of this Act, to make a distribution of securities under a prospectus filed with the Commission;

(2) that has filed a securities exchange take-over bid circular with the Commission, at any time from 6 July 1973 to the coming into force of this Act.

Presump-
tion of
distribu-
tion.

A société d'entraide économique resulting from the continuance of a caisse d'entraide économique by virtue of the Act respecting the Sociétés d'entraide économique (R.S.Q., chapter S-25.1) or the Act respecting certain caisses d'entraide économique (1982, chapter 15) is also deemed to have made a distribution of securities to the public.

1982, c.
48, s. 3,
replaced.

339. Section 3 of the Securities Act (1982, chapter 48) is replaced by the following section:

Exemptions.

“3. The following forms of investment are exempt from the application of Titles II to VIII, except that mentioned in paragraph 10, which is exempt only from Title II:

(1) a debt security issued by the Gouvernement du Québec, the Government of Canada or the government of a Canadian province;

(2) a security issued by a closed company in conformity with its constituting documents;

(3) a security issued by a non-profit legal person, provided that its distribution entails no remuneration;

(4) a share or a debt security issued by a savings and credit union, including a share or a debt security of a federation, within the meaning of the Savings and Credit Unions Act (R.S.Q., chapter C-4), provided that the subscription was neither solicited nor received by a remunerated salesman or canvasser, and that the share was fully paid at the time of subscription;

(5) a common or preferred share in a cooperative or a cooperative federation, and a common or preferred share in the Coopérative fédérée du Québec, issued to a member or a person wishing to become a member, provided that the subscription was neither solicited nor received by a remunerated salesman or canvasser;

(6) a debt security issued only to a member by a person referred to in paragraph 5, according to the same conditions;

(7) an instrument evidencing a debt and issued in settlement of a credit sale or conditional sale, as long as it is not transferred to a natural person;

(8) an instrument evidencing a debt, including a bond, as long as the issue and transfer thereof constitute, for the issuer as well as for the subscriber, and any subsequent purchaser, isolated transactions;

(9) a deposit of money within the meaning of the Deposit Insurance Act (R.S.Q., chapter A-26) and the regulations thereunder, provided that it is received by a person duly registered under the said Act or by a bank governed by the Act respecting banks and banking (S.C., 1980-81-82, chapter 40) or by the Quebec Savings Banks Act (R.S.C., 1970, chapter B-4);

(10) a credit balance referred to in section 168;

(11) a share in a mutual fund or a unit of an unincorporated mutual fund, provided that such fund is established and administered by a trust company registered under the Trust Companies Act (R.S.Q., chapter C-41) and that such security is distributed by such a company and has either of the following characteristics:

(a) it consists solely of pooled funds from retirement savings plans, home ownership savings plans or other similar plans, registered under the Taxation Act (R.S.Q., chapter I-3) or the Income Tax Act (R.S.C., 1952, chapter 148);

(b) it consists of unsolicited funds received from curators, trustees, testamentary executors or tutors which are commingled with the authorization of the depositor or his agent for the purpose of investment;

(12) a share of an investment club where the following conditions are met:

(a) the club does not have over 50 members;

(b) the club does not issue debt securities;

(c) the club does not pay any remuneration to securities advisers or brokers, except normal brokerage fees;

(d) all of the club's members are required to make contributions in proportion to their shares for the financing of its operations;

(13) an insurance or annuity contract issued by an insurer holding a licence under the Act respecting insurance (R.S.Q., chapter A-32), except an individual variable contract that is not an individual variable life annuity or that does not guarantee payment at maturity of a benefit equal to at least 75% of the premiums paid before 75 years of age;

(14) a debt security issued or guaranteed by a bank established under the Act respecting banks and banking (S.C., 1980-81-82, chapter 40) or the Quebec Savings Banks Act (R.S.C., 1970, chapter B-4), except a debt security conferring a right of payment ranking lower than a deposit contemplated in paragraph 9 and entrusted to the issuer or the guarantor of the debt security;

(15) a debt security issued or guaranteed by the International Bank for Reconstruction and Development, the Asian Development Bank or the Inter-American Development Bank, as long as it is payable in Canadian or American currency;

(16) a share in a mutual fund or a unit of an unincorporated mutual fund, provided that such fund is established and that its

securities are distributed by a bank governed by the Act respecting banks and banking (S.C., 1980-81-82, chapter 40) or by the Quebec Savings Banks Act (R.S.C., 1970, chapter B-4) or by a savings and credit union or a federation governed by the Savings and Credit Unions Act (R.S.Q., chapter C-4), that the management of the fund is entrusted to a trust company registered in accordance with the Trust Companies Act (R.S.Q., chapter C-41) and that the securities have the characteristics provided for in subparagraph *a* of paragraph 11.”

R.S.Q., c.
A-24, s.
19, am.

340. Section 19 of the Cooperative Associations Act (R.S.Q., chapter A-24) is amended by replacing paragraph *l* by the following paragraph:

“(l) issue bonds and, to secure the payment thereof, hypothecate, mortgage or pledge its moveable and immoveable property, present or future, and convey and transfer the same to a trustee, in accordance with Division VII of the Special Corporate Powers Act (R.S.Q., chapter P-16);”.

R.S.Q., c.
I-3, s.
965.1, am.

341. Section 965.1 of the Taxation Act (R.S.Q., chapter I-3) is amended by replacing the first paragraph by the following paragraph:

Stock sav-
ings plan.

“**965.1** For the purposes of this title, a stock savings plan is an arrangement made between an individual, other than a trust, and a dealer within the meaning of section 5 of the Securities Act (1982, chapter 48) having an establishment in Québec and registered with the Commission des valeurs mobilières du Québec, under which that individual entrusts to that dealer the custody of such of his shares as he may indicate that are not included in any other plan of any kind for the purposes of this Act and in respect of which he elects that the rules provided in this title be made to apply.”

R.S.Q., c.
I-3, s.
965.2, am.

342. Section 965.2 of the said Act is amended

(1) by replacing paragraph *f* by the following paragraph:

“(f) purchased within the framework of a distribution of such a share or of a right to subscribe for such a share made in accordance with a receipt from the Commission des valeurs mobilières or exemption from filing a prospectus granted pursuant to section 47, 50, 52 or 263 of the Securities Act (1982, chapter 48) or in accordance with an authorization of the Régie de l’électricité et du gaz granted after 27 March 1979 and before 22 June 1979;”;

(2) by replacing paragraph *g* by the following paragraph:

“(g) the certificate for which is remitted directly to the dealer contemplated in section 965.1 either by the issuer of the certificate or by another dealer, within the meaning of section 5 of the Securities Act (1982, chapter 48), who certifies to him that the share was held, without interruption from its issue, by such a dealer acting as intermediary or as firm underwriter;”.

R.S.Q., c.
I-3, s.
965.3, am.

343. Section 965.3 of the said Act is amended

(1) by replacing paragraph *a* by the following paragraph:

“(a) having not fewer than five full-time employees other than insiders within the meaning of section 89 of the Securities Act (1982, chapter 48);”;

(2) by replacing paragraph *b* by the following paragraph:

“(b) having common voting shares that, from 6 July 1973, are registered with a stock exchange in Québec or shares that were the objects of a distribution under conditions provided for in paragraph 1 of section 68 or in paragraph 1 of section 339 of the Securities Act (1982, chapter 48) or were distributed in accordance with an authorization granted before 22 June 1979 by the Régie de l’électricité et du gaz; and”.

R.S.Q., c.
I-3, s.
965.6, am.

344. Section 965.6 of the said Act is amended by replacing paragraph *f* by the following paragraph:

“(f) the certificate for which is remitted directly to the dealer or to the federation contemplated in section 965.1 by the person issuing the certificate, by another dealer within the meaning of section 5 of the Securities Act (1982, chapter 48), or by another federation contemplated in section 965.1, which certifies to him that it has been held without interruption from its issuance, by such a dealer or federation.”

R.S.Q., c.
L-3, Div.
VII, ss.
89-96,
repealed.
R.S.Q., c.
R-22, ss.
1, 2, am.

345. Division VII of the Licenses Act (R.S.Q., chapter L-3), comprising sections 89 to 96, is repealed.

346. The Companies Information Act (R.S.Q., chapter R-22) is amended

(1) by striking out paragraph *c* of section 1;

(2) by replacing paragraph *b* of subsection 1 of section 2 by the following paragraph:

“(b) Upon commencing any business in Québec, and”;

(3) by striking out paragraph *d* of subsection 1 of section 2;

(4) by replacing subsection 2 of section 2 by the following subsection:

“(2) A company which has already complied, for the current year, with the provisions of section 4 and which comes within one of the circumstances contemplated in any one of subparagraphs *a*, *b* or *c* of the preceding subsection 1 shall not be obliged to again give the information required by the said section 4.”;

(5) by replacing subsection 3 of section 2 by the following subsection:

“(3) This section shall not apply to a trust company or to an insurance company.”

R.S.Q., c.
S-24, s. 9,
am.

347. Section 9 of the Act respecting cooperative agricultural associations (R.S.Q., chapter S-24) is amended by replacing paragraph *k* by the following paragraph:

“(*k*) issue bonds and, to secure payment thereof, hypothecate, mortgage or pledge its moveable and immoveable property, present or future, and convey and transfer the same to a trustee, in accordance with Division VII of the Special Corporate Powers Act (R.S.Q., chapter P-16);”.

Respon-
sible
Minister.

348. The minister appointed by the Government is responsible for the application of this Act.*

Transfer
of appro-
priations.

349. The appropriations voted for the application of the Securities Act (R.S.Q., chapter V-1) are transferred to permit the application of this Act.

Supple-
mentary
appro-
priations.

Supplementary appropriations for the application of this Act voted for the fiscal period 1982-1983 are taken out of the consolidated revenue fund.

Appro-
priations.

For subsequent periods, the moneys are taken out of the moneys granted annually by the Legislature.

Exigible
fees.

350. The fees exigible are collected by the Commission; all the sums thus collected are paid into the consolidated revenue fund.

Existing
self-
regulatory
organiza-
tions.

351. At the coming into force of this Act, the self-regulatory organizations may continue to carry on their activities even if they do not meet the conditions prescribed in Title VII, until the Commission decides to grant or deny them recognition.

* This section was inadvertently omitted from the previous printings of the English text of this Act.

Report of
the
Minister.

352. The Minister shall, on or before 19 January 1988, and every five years thereafter, make a report to the Government on the implementation of this Act and on the advisability of continuing it in force and, as the case may be, of amending it.

Tabling.

The report must, within the following fifteen days, be tabled before the National Assembly of Québec if it is sitting or, if it is not, be filed with the President of the Assembly.

Convoca-
tion of
committee.

The President shall, within one year from the tabling or filing of the report, convene such committee of the Assembly as he shall designate to examine the advisability of continuing this Act in force or, as the case may be, of amending it, and to hear the opinions of interested individuals and organizations.

Exception.

353. This Act shall operate notwithstanding the provisions of sections 2 and 7 to 15 of the Constitution Act, 1982 (Schedule B of the Canada Act, chapter 11 in the 1982 volume of the Acts of the Parliament of the United Kingdom).

Coming in-
to force.

354. This Act comes into force on the date to be fixed by proclamation of the Government except the provisions excluded by such proclamation, which will come into force on any later date fixed by proclamation of the Government.

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