

Corporate Securities Law

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Further Developments in Private Placement Exemptions for Start-ups

The Canadian Securities Administrators (CSA) continue to develop prospectus exemptions designed to facilitate access to capital for start-ups.

In March of 2014, certain members of the CSA, including Ontario, published proposed Multilateral Instrument 45-108 *Crowdfunding* (“**MI 45-108**”) for comment (see our April 1, 2014 Update, *Four New Private Placement Exemptions Proposed*). Crowdfunding is a method of funding projects or ventures by raising small amounts of money from a large number of people through a funding portal.

While MI 45-108 has not been adopted as a rule, in May of 2015, the securities regulators in British Columbia, Manitoba, Nova Scotia, New Brunswick, Quebec and Saskatchewan adopted local blanket orders permitting crowdfunding under certain conditions (the “**Crowdfunding Blanket Orders**”).

In October of 2015, the Alberta Securities Commission (ASC) and the Nunavut Securities Office published for comment proposed Multilateral Instrument 45-109 *Prospectus Exemption for Start-up Businesses* (the “**ASC Proposal**”).

The ASC Proposal is designed to address similar issues to those at which the Crowdfunding Blanket Orders were aimed, though it is structured somewhat differently. Notably, the ASC Proposal does not exempt a distribution from the registration requirements, nor is it limited to distributions via a crowdfunding portal. In spite of these and other differences, however, the ASC Proposal is meant to facilitate issuances of securities concurrently in multiple jurisdictions, particularly where the Crowdfunding Blanket Orders apply.

The development of private placement exemptions for Canadian issuers continues to advance in a somewhat *ad hoc* manner across several provinces. However, the adoption of the Crowdfunding Blanket Orders, the proposal of MI 45-108, and now the introduction of the ASC Proposal, suggest a trend toward facilitating access to capital for early-stage businesses.

For further information regarding the development of the private placement exemptions and corporate finance in general, please contact any member of our Corporate Securities Group.