



Changes to
National Policy 62-203 *Take-Over Bids and Issuer Bids*

1. *National Policy 62-203 Take-Over Bids and Issuer Bids is changed by this document.*
2. *National Policy 62-203 Take-Over Bids and Issuer Bids is changed by adding the following Part after Part 2:*

PART 3 TAKE-OVER BID AND EARLY WARNING REQUIREMENTS

- 3.1 **Equity swap or similar derivative arrangement** – An investor that is a party to an equity swap or similar derivative arrangement may under certain circumstances have deemed beneficial ownership, or control or direction, over the referenced voting or equity securities. This could occur where the investor has the ability, formally or informally, to obtain the voting or equity securities or to direct the voting of voting securities held by any counterparties to the transaction. This determination would be relevant for compliance with the early warning and take-over bid requirements under the Instrument.
- 3.2 **Securities lending arrangements** – Securities lending describes the market practice whereby securities are temporarily transferred from one party (the lender) to another party (the borrower) in return for a fee. As part of the lending arrangement, the borrower is obliged to redeliver to the lender the securities or identical securities to those that were transferred or lent, either on demand or at the end of the loan term.

Securities lending arrangements transfer title of securities from the lender to the borrower for the duration of the loan. During this period, the borrower has full ownership rights and may re-sell the securities as well as vote them. Securities lending arrangements between the lender and the borrower generally provide for payment to the lender of any economic benefits (for example, dividends) accruing to the securities while “on loan”. Therefore, securities lending separates the economic interest in the securities which remains with the lender from the ownership and voting rights which are transferred to the borrower. If the lender wants to vote the loaned securities it must, in accordance with the terms of the securities lending arrangement,

either recall the securities or identical securities from the borrower or otherwise direct the voting of the loaned securities.

Since securities lending arrangements involve a disposition and acquisition of securities, lenders and borrowers should consider securities lent (disposed) and borrowed (acquired) under securities lending arrangements in determining whether an early warning reporting obligation has been triggered.

Paragraph 5.7(a) of the Instrument provides an exception for the lender of securities under a securities lending arrangement from the early warning requirements if the securities are transferred or lent pursuant to a securities lending arrangement that meets the criteria of a specified securities lending arrangement. If the securities lending arrangement is not a specified securities lending arrangement, then the early warning reporting requirements for dispositions of securities will apply to the disposition of securities by the lender under the securities lending arrangement.

Paragraph 5.7(b) of the Instrument provides an exception for the borrower of securities under a securities lending arrangement from the early warning requirements if the securities or identical securities are borrowed, disposed of or acquired in connection with a borrower's short sale if certain conditions are met. Short selling is a trading strategy where the borrower uses securities borrowed under a securities lending arrangement to settle a sale (disposition) of the securities to another party with the objective of later repurchasing (acquiring) identical securities at a lower price on the market to return the securities to the lender. If all the conditions of paragraph 5.7(b) are not satisfied, then the early warning reporting requirements will apply to the borrower in respect of securities borrowed under the securities lending arrangement and the disposition of and acquisition of the securities or identical securities in the market in connection with the securities lending arrangement..

3. Except in Ontario, these changes become effective on May 9, 2016. In Ontario, these changes become effective on the later of the following:
 - (a) May 9, 2016;
 - (b) the day on which sections 1, 2 and 3, subsections 4 (2) and (3), and sections 5, 7, 8 and 10 of Schedule 18 of the *Budget Measures Act, 2015* (Ontario) are proclaimed into force.