

13.2.2 TSX – Amendments to the TSX Company Manual – Notice of Housekeeping Rule Amendments

TORONTO STOCK EXCHANGE

NOTICE OF HOUSEKEEPING RULE AMENDMENTS

HOUSEKEEPING AMENDMENTS TO THE TSX COMPANY MANUAL

Introduction

In accordance with the Process for the Review and Approval of Rules and the Information Contained in Form 21-101F1 (the “**Protocol**”), Toronto Stock Exchange (“**TSX**”) has adopted, and the Ontario Securities Commission has approved, amendments (the “**Amendments**”) to Sections 428, 429, 429.1, 614(j), 620(c), 620(d) and 639(a)(i) of the TSX Company Manual (the “**Manual**”). The Amendments are Housekeeping Rules under the Protocol and therefore have not been published for comment. The Ontario Securities Commission has not disagreed with the categorization of the Amendments as Housekeeping Rules.

Reasons for the Amendments

The 2007-2008 global financial crisis had highlighted the need to improve risk management and efficiency in clearing and settlement processing. In particular, there has been a sharper focus by industry, regulators and policy makers alike on mitigating counterparty risk exposure for market participants. Various measures have been taken to mitigate such risks in capital markets, including a move to settle trades more quickly. Shortening the settlement cycle from three to two trading days after the trade date (“**T+2**”) is intended to mitigate risk in securities clearing and settlement by reducing counterparty exposure between the parties to a trade. The Canadian securities industry is preparing for the migration to a standard T+2 settlement cycle in September 2017, at the same time as the industry in the United States is moving to T+2.

The Amendments relate to non-public interest changes to align the Manual with the T+2 settlement cycle CDS Clearing and Depository Services Inc. (“**CDS**”) will implement in September 2017, and/or clarify language in such sections.

Summary of the Amendments

Section	Amendment
428 – Notice to the Exchange	Update language to refer to “companies” as “listed issuers”, and to reduce the notification period required for all distributions.
429 – Ex-Dividend Trading	Amend language to reflect that two trading days are permitted for the completion of the registration of a securities transaction and consequently, reduce the number of trading days required prior to the record date of the dividend before the shares will commence trading on an ex-dividend basis. Update language in the example provided as a result of the aforementioned amendments.
429.1 – Due Bill Trading	Amend language to reduce the number of trading days required prior to the record date of a distribution before trading on an ex-distribution basis would commence without the use of Due Bills.
614(j) – Rights Offerings	Amend language to reduce the number of trading days required preceding the record date before rights are listed on TSX.
620(c) – Stock Split	Amend language to reduce the number of trading days required prior to the record date of a stock split where the push-out method is used in which: <ul style="list-style-type: none"> • a Certificate of Amendment (or equivalent document) giving effect to the stock split must be issued. • the meeting of security holders approving the stock split (if required) must take place. • the prescribed documents relating to the stock split must be received by TSX
620(d) – Stock Split	Amend language to reduce the number of trading days required preceding the record date before securities may commence trading on TSX on a split basis where the push-out method is used.

Section	Amendment
639(a)(i) – Procedures Applicable to Odd Lot Selling and Purchase Agreements – Dissemination of Information	Amend the language to reduce the number of business days required prior to the record date in which a listed issuer must file with TSX a copy of a press release announcing an Arrangement and draft disclosure document.

Text of the Amendments

The Amendments are set out as blacklined text at **Appendix A**. For ease of reference, a clean version of the Amendments are set out at **Appendix B**.

Timing and Transition

The Amendments become effective on September 5, 2017.

APPENDIX A

BLACKLINES OF NON-PUBLIC INTEREST AMENDMENTS TO THE TSX COMPANY MANUAL

Notice to the Exchange

Sec. 428.

All ~~companies~~listed issuers declaring a dividend on listed shares must promptly notify the Exchange's Listed Issuer Services of the particulars, except as provided below. ~~Companies~~Listed issuers must complete and file a Form 5—Dividend/Distribution Declaration (Appendix H: Company Reporting Forms) with the Exchange. For the purposes of Exchange requirements, "dividends" also includes distributions to holders of listed securities other than shares, such as units.

The Exchange must have sufficient time to inform its Participating Organizations and the financial community of the details of each dividend declared. There must be a clear understanding in the market-place as to who is entitled to receive the dividend declared. Due to practical considerations, such as long holidays and weekends, the Exchange requires prior notice be given to the Exchange in advance of the dividend record date, the record date being the date of closing of the transfer books of the ~~company~~Companieslisted issuer. Listed issuers with tentative dividend plans should schedule their board meetings well in advance of the proposed record date.

A minimum ~~seven (7)~~five trading days notification period applies to all distributions, including special year end distributions by income trusts and other similar non-taxable entities, whether or not:

- (a) the exact amount of the distribution is known; or
- (b) the distribution is to be paid in cash, trust units and/or other securities.

Where the exact amount of the distribution is unknown, ~~companies~~listed issuers should provide, at the time they file their Form 5, their best estimate of the anticipated amount of the distribution and indicate that such amount is an estimate. Details regarding the payment of the distribution in cash, trust units and/or other securities must be provided.

Upon determination of the exact amount of any estimated distribution, ~~companies~~listed issuers must disseminate the final details by press release and provide TSX's dividend administrator with a copy of the press release.

[...]

Ex-Dividend Trading

Sec. 429.

Determining whether the seller or the buyer is entitled to the dividend is accomplished through the procedure known as ex-dividend trading. On shares selling ex-dividend the seller retains the right to a pending dividend payment, and the opening bid quotation is usually reduced by the value of the dividend payable.

Since ~~three~~two trading days are allowed for the completion of the registration of a securities transaction, it is necessary that the shares commence trading on an ex-dividend basis at the opening of trading on the date which is ~~two~~one trading ~~days~~day prior to the record date for the dividend. For example, if the record date for a dividend is Friday, the shares will commence trading on an ex-dividend basis at the opening of trading on the preceding ~~Wednesday~~Thursday (in the absence of statutory holidays). If the record date is Monday, the shares will commence trading on an ex-dividend basis ~~on Thursday~~at the opening of trading on Friday of the previous week (in the absence of statutory holidays).

[...]

Due Bill Trading

Sec. 429.1.

For the purposes of this Section 429.1, "distribution" means any dividend, distribution, interest, security or right to which holders of listed securities have an entitlement, based on a specific record date.

Due Bill trading may be used at the discretion of the Exchange based on various relevant factors. However, the Exchange will normally defer ex-distribution trading and use Due Bills when the distribution per listed security represents 25% or more of the

value of the listed security on the declaration date. Without the use of Due Bills, trading on an ex-distribution basis would commence ~~two~~ at the opening of trading one trading ~~days~~ day prior to the record date for the distribution and could result in a significant adjustment of the market price of the security. Security holders will then be deprived of the value of the distribution between the ex-distribution date and the payment date. By deferring the ex-distribution date through the use of Due Bills, sellers of the listed securities during this period can realize the full value of the listed securities they hold, by selling the securities with the Due Bills attached. The use of Due Bills will also avoid confusion regarding the market value of the listed securities.

[...]

The Exchange may also use Due Bills for distributions which are subject to a condition which may not be satisfied before the normal ex-distribution trading date (i.e., ~~two~~ one trading ~~days~~ day before the record date). When Due Bills are used for conditional distributions, the condition must be met prior to the payment date.

[...]

D. Rights Offerings

Sec. 614.

- (a) A preliminary discussion with TSX is recommended to a listed issuer proposing to offer rights to its participating security holders.

[...]

- (j) Rights are listed on TSX at the opening of trading on the ~~second~~ first trading day preceding the record date. At the same time, the underlying listed securities of the listed issuer commence trading on an ex-rights basis, which means that purchasers of the listed securities at that time are not entitled to receive the rights. Due Bill trading may be used in certain circumstances for conditional rights offerings as determined at the discretion of the Exchange. See Section 429.1.

[...]

Sec. 620. Stock Split

- (a) There are two methods of effecting a stock split: the "push-out" method and the "call-in" method. If the stock split is accompanied by a security reclassification, either the push-out method or the call-in method may be used; otherwise the push-out method is preferable.

[...]

- (c) Where the push-out method is used, the Certificate of Amendment, or equivalent document such as a certified copy of the board of directors' resolution if no amendments to the articles are required, giving effect to the split must be issued at least ~~seven~~ five, and preferably not less than ~~ten~~ eight, trading days prior to the record date. Accordingly, if the stock split must be approved by security holders, the meeting of security holders must take place at least ~~seven~~ five trading days in advance of the record date. If the push-out method is used, the following documents must be received by TSX at least ~~seven~~ five trading days in advance of the record date:

- i) written confirmation of the record date including the time of day ("close of business" will be sufficient for this purpose);
- ii) a notarial or certified copy of the Certificate of Amendment, or equivalent document such as a certified copy of the board of directors' resolution if no amendments to the articles are required;
- iii) an opinion of counsel that all the necessary steps have been taken to validly effect the split in accordance with applicable law and that the additional securities will be validly issued as fully paid and non-assessable;
- iv) a written statement as to the date on which it is intended that the additional security certificates will be mailed to the security holders; and
- v) if the stock split is accompanied by a security reclassification,

- i. definitive specimens of the new generic or customized security certificates, if any, in accordance with the requirements set out in Appendix D; and
 - ii. an unqualified letter of confirmation from CDS disclosing the CUSIP number assigned to each class of listed securities (see Section 350).
- (d) Where the push-out method is used, the securities will commence trading on TSX on a split basis at the opening of business on the ~~second~~first trading day preceding the record date. Due Bill trading may be used in certain circumstances as determined at the discretion of the Exchange. See Section 429.1.

[...]

Sec. 639. Procedures Applicable to Odd Lot Selling and Purchase Arrangements

- (a) Under an odd lot selling arrangement (a "Selling Arrangement") a listed issuer agrees to pay a fee per odd lot account to participating organizations to sell listed securities on behalf of odd lot holders. Under an odd lot purchase arrangement (a "Purchase Arrangement", together with a Selling Arrangement referred to herein as an "Arrangement") a listed issuer agrees to pay a fee per odd lot account to participating organizations to purchase a sufficient number of listed securities on behalf of odd lot holders to constitute a board lot.

[...]

- (i) **Dissemination of Information.**
 - i) The listed issuer shall file with TSX a copy of a draft press release announcing an Arrangement and a draft disclosure document which includes the information required under clause iii) below at least ~~seven~~five business days before the record date. The press release shall not be issued and the disclosure document shall not be distributed to securityholders until written approval has been given by TSX.

[...]

APPENDIX B

NON-PUBLIC INTEREST AMENDMENTS TO THE TSX COMPANY MANUAL

Notice to the Exchange

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All listed issuers declaring a dividend on listed shares must promptly notify the Exchange's Listed Issuer Services of the particulars, except as provided below. Listed issuers must complete and file a Form 5—Dividend/Distribution Declaration (Appendix H: Company Reporting Forms) with the Exchange. For the purposes of Exchange requirements, "dividends" also includes distributions to holders of listed securities other than shares, such as units.

The Exchange must have sufficient time to inform its Participating Organizations and the financial community of the details of each dividend declared. There must be a clear understanding in the market-place as to who is entitled to receive the dividend declared. Due to practical considerations, such as long holidays and weekends, the Exchange requires prior notice be given to the Exchange in advance of the dividend record date, the record date being the date of closing of the transfer books of the listed issuer. Listed issuers with tentative dividend plans should schedule their board meetings well in advance of the proposed record date.

A minimum five trading days notification period applies to all distributions, including special year end distributions by income trusts and other similar non-taxable entities, whether or not:

- (a) the exact amount of the distribution is known; or
- (b) the distribution is to be paid in cash, trust units and/or other securities.

Where the exact amount of the distribution is unknown, listed issuers should provide, at the time they file their Form 5, their best estimate of the anticipated amount of the distribution and indicate that such amount is an estimate. Details regarding the payment of the distribution in cash, trust units and/or other securities must be provided.

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Determining whether the seller or the buyer is entitled to the dividend is accomplished through the procedure known as ex-dividend trading. On shares selling ex-dividend the seller retains the right to a pending dividend payment, and the opening bid quotation is usually reduced by the value of the dividend payable.

Since two trading days are allowed for the completion of the registration of a securities transaction, it is necessary that the shares commence trading on an ex-dividend basis at the opening of trading on the date which is one trading day prior to the record date for the dividend. For example, if the record date for a dividend is Friday, the shares will commence trading on an ex-dividend basis at the opening of trading on the preceding Thursday (in the absence of statutory holidays). If the record date is Monday, the shares will commence trading on an ex-dividend basis at the opening of trading on Friday of the previous week (in the absence of statutory holidays).

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For the purposes of this Section 429.1, "distribution" means any dividend, distribution, interest, security or right to which holders of listed securities have an entitlement, based on a specific record date.

Due Bill trading may be used at the discretion of the Exchange based on various relevant factors. However, the Exchange will normally defer ex-distribution trading and use Due Bills when the distribution per listed security represents 25% or more of the value of the listed security on the declaration date. Without the use of Due Bills, trading on an ex-distribution basis would

commence at the opening of trading one trading day prior to the record date for the distribution and could result in a significant adjustment of the market price of the security. Security holders will then be deprived of the value of the distribution between the ex-distribution date and the payment date. By deferring the ex-distribution date through the use of Due Bills, sellers of the listed securities during this period can realize the full value of the listed securities they hold, by selling the securities with the Due Bills attached. The use of Due Bills will also avoid confusion regarding the market value of the listed securities.

[...]

The Exchange may also use Due Bills for distributions which are subject to a condition which may not be satisfied before the normal ex-distribution trading date (i.e., one trading day before the record date). When Due Bills are used for conditional distributions, the condition must be met prior to the payment date.

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[...]

- (c) Where the push-out method is used, the Certificate of Amendment, or equivalent document such as a certified copy of the board of directors' resolution if no amendments to the articles are required, giving effect to the split must be issued at least five, and preferably not less than eight, trading days prior to the record date. Accordingly, if the stock split must be approved by security holders, the meeting of security holders must take place at least five trading days in advance of the record date. If the push-out method is used, the following documents must be received by TSX at least five trading days in advance of the record date:

- i) written confirmation of the record date including the time of day ("close of business" will be sufficient for this purpose);
- ii) a notarial or certified copy of the Certificate of Amendment, or equivalent document such as a certified copy of the board of directors' resolution if no amendments to the articles are required;
- iii) an opinion of counsel that all the necessary steps have been taken to validly effect the split in accordance with applicable law and that the additional securities will be validly issued as fully paid and non-assessable;
- iv) a written statement as to the date on which it is intended that the additional security certificates will be mailed to the security holders; and
- v) if the stock split is accompanied by a security reclassification,
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