



## CSA Planning National Instrument to Replace Local Crowdfunding Exemption Orders

May 21, 2019

The Canadian Securities Administrators recently [announced that they are developing a national instrument](#) intended to replace the existing local orders in various provinces that currently provide registration and prospectus exemption related to start-up crowdfunding.

As [we discussed in May 2015](#), the securities regulators of British Columbia, Saskatchewan, Manitoba, Quebec, New Brunswick and Nova Scotia adopted registration and prospectus exemptions at that time intended to allow Canadian start-ups and early stage companies to raise capital through crowdfunding in the participating jurisdictions. The exemptions were enacted through local blanket orders, and are set to expire on May 13, 2020.

Under the existing prospectus exemption, assuming certain conditions are met, a non-reporting issuer that is not an investment fund and whose head office is located in a participating jurisdiction may issue eligible securities through online funding portals. The registration exemption, meanwhile, allows funding portals with a Canadian head office and a majority of directors being resident in to facilitate distributions under the prospectus exemption without being formally registered, subject to certain conditions.

According to the CSA, the new national instrument would include the same key features as the existing exemption orders, along with targeted amendments to improve harmonization and the effectiveness of crowdfunding as a capital-raising tool for early stage businesses. While the national instrument is not expected to be in force in time for the planned expiration of the local blanket orders, the CSA expect the existing local exemptions to be extended in the participating jurisdictions until such time the new national instrument is ready.

For more information, see [CSA Staff Notice 45-324 Update on the Start-up Crowdfunding Registration and Prospectus Exemptions](#).

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