



NATIONAL ASSEMBLY

SECOND SESSION

THIRTY-SIXTH LEGISLATURE

Bill 57
(2001, chapter 38)

An Act to amend the Securities Act

Introduced 12 May 1999
Passage in principle 26 May 1999
Passage 31 October 2001
Assented to 1 November 2001

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EXPLANATORY NOTES

The main object of the bill is to amend the provisions of the Securities Act that govern the Québec financial market, to allow it to adapt to the rapid emergence of new financial products and new market players in a context of market globalization, and to equip the Commission des valeurs mobilières with the tools it needs to ensure the protection of investors.

The bill provides for the establishment of a special disclosure scheme that prescribes the requirements for certain documents that must be filed with the Commission or sent to investors, and the conditions on which a document may stand in lieu of a prospectus. The bill also provides for the filing or transmission of documents by electronic means. The promoters of electronic trading systems will be required to register with the Commission, as will persons acting as securities dealers or advisers for sophisticated purchasers except, in the latter case, where such persons are already authorized to pursue similar activities outside Québec.

In addition, the bill empowers the Commission to impose administrative penalties on registrants who fail to comply with an obligation prescribed by the Act, and provides for the establishment of consultation mechanisms with bodies pursuing similar goals to those of the Commission. The rules of conduct applicable to registrants in their dealings with clients, and specific requirements designed to prevent situations of conflict of interest, are set out in the bill.

The bill details the Commission's regulatory powers, and provides for various measures to empower the Commission to intervene in situations where action is needed to protect investors.

Lastly, the bill harmonizes the vocabulary used in the Securities Act with that of the Civil Code, and contains consequential, corrective and technical amendments.

LEGISLATION AMENDED BY THIS BILL :

- Act respecting the distribution of financial products and services (R.S.Q., chapter D-9.2);
- Act respecting the disclosure of the compensation received by the executive officers of certain legal persons (R.S.Q., chapter I-8.01);
- Act respecting administrative justice (R.S.Q., chapter J-3);
- Securities Act (R.S.Q., chapter V-1.1).

Bill 57

AN ACT TO AMEND THE SECURITIES ACT

THE PARLIAMENT OF QUÉBEC ENACTS AS FOLLOWS :

1. The Securities Act (R.S.Q., chapter V-1.1) is amended by replacing the heading of Title I by the following heading :

“GENERAL PROVISIONS”.

2. Section 1 of the said Act is amended by adding the words “of the Government” at the end of subparagraph 9 of the first paragraph.

3. Section 3 of the said Act is amended

(1) by striking out the words “common or” in the first line of paragraph 5.1 ;

(2) by replacing “to securities advisers or brokers” in subparagraph *c* of paragraph 12 by “to members”.

4. The said Act is amended by inserting, after section 4, the following section :

“4.1. Provisions of this Act or of regulations made under this Act in respect of the distribution of securities to the public, the right of a client to receive a prospectus, a confirmation slip and a statement of account, the right of a client to rescind a subscription, the voting rights attached to securities and the keeping of securities on deposit on behalf of a client apply, with the necessary modifications, to firms that pursue their activities through a securities representative governed by the Act respecting the distribution of financial products and services (chapter D-9.2).”

5. Section 5 of the said Act is amended

(1) by inserting the following definition after the definition of “distribution” :

““investment club” means a group of individuals who come together for educational purposes, for a limited time, in order to learn about the stock market and diversify their portfolio through the purchase of securities from more than one issuer, and whose regular and modest contributions as members of the club constitute its capital ;” ;

(2) by striking out the definition of “legal person”;

(3) by adding the following paragraph at the end of the definition of “distribution”:

“(9) the disposal, by a shareholder who has the control of a company or a person holding more than a determined portion of the securities of a class or series of the securities of an issuer, of that portion of securities or another determined portion of the securities of that class or series in the manner determined by regulation;”.

6. Section 6 of the said Act is amended

(1) by replacing the words “civil partnership” in the first and second paragraphs by the word “partnership”;

(2) by adding, at the end of the second paragraph, the words “, except the special partners”.

7. The said Act is amended by inserting, after section 7, the following section:

“7.1. Notwithstanding the Act respecting trust companies and savings companies (chapter S-29.01), the Commission may authorize a legal person other than a trust company governed by the said Act to act as trustee of an unincorporated mutual fund in accordance with the Civil Code.”

8. The said Act is amended by inserting, after section 10.5, the following section:

“10.6. Documents required to be filed with or transmitted to the Commission under this Act must, where so determined by regulation of the Commission, be filed or transmitted in the medium or by the technological means indicated in the regulations of the Commission.”

9. Section 18 of the said Act is replaced by the following section:

“18. A distribution of securities may be made by way of a simplified prospectus if the reporting issuer meets the conditions fixed by regulation.”

10. The said Act is amended by striking out Division III.1 of Chapter I of Title II.

11. Section 33 of the said Act is amended by adding, at the end of the first paragraph, the words “, except in the cases for which a longer period is provided for by regulation”.

12. Section 40.1 of the said Act is amended by adding, at the end, the following paragraphs:

“In the case of an international distribution of the securities of a foreign issuer, the prospectus may, in the cases determined by regulation, be drawn up in a language other than French that is used in financial matters. The prospectus must, in such a case, include a summary in French containing the information and attestations prescribed by regulation and integrating, by means of references, all the information given in the prospectus.

The dealer may, in a case referred to in the second paragraph, transmit the summary rather than the prospectus to prospective subscribers, provided the dealer also sends them the prospectus on request. The dealer must also ensure that a registered representative, possessing sufficient knowledge of the language in which the prospectus is drawn up, is in a position to discharge, for the benefit of the clients, the obligations concerning the information and recommendations prescribed by the Act and the regulations.”

13. Section 45 of the said Act is amended by adding, at the end, the words “, the value of which is at least equal to the minimum amount fixed by regulation”.

14. Section 50 of the said Act is amended by replacing the words “merger or a reorganization of capital” in the second line by the words “consolidation or reorganization”.

15. Section 57 of the said Act is replaced by the following section :

“57. The securities that qualify as gilt-edged securities shall be determined by regulation.”

16. Section 58 of the said Act is amended by replacing the second paragraph by the following paragraph :

“The period referred to in the preceding paragraph is determined by regulation.”

17. Section 59 of the said Act is amended by replacing “then 12 months” in the second paragraph by “in that case determined by regulation”.

18. Section 60 of the said Act is amended

(1) by striking out “of the capital” in the third line ;

(2) by replacing “12 months” in the fourth line by “the period determined by regulation”.

19. Section 61 of the said Act is amended by replacing “more than 12 months” in the third line by “the period determined by regulation”.

20. Section 64 of the said Act is replaced by the following section :

“64. A securities distribution to which a special disclosure scheme established by regulation applies may be made by an issuer, provided that the issuer complies with the requirements of the special scheme concerning the information that must be contained in the documents to be filed with the Commission or sent to investors and with the conditions subject to which a document may stand in lieu of a prospectus.”

21. Section 68 of the said Act is amended by replacing the words “within the framework of a combination to which a reporting issuer was a party” in subparagraph 4 of the second paragraph by the words “following a consolidation or reorganization involving at least one reporting issuer”.

22. Section 73 of the said Act is amended by adding, at the end, the following paragraph:

“A statement of material change must also be filed with the Commission by the reporting issuer in the form and within the time fixed by regulation.”

23. Section 74 of the said Act is amended by inserting the words “or file a statement of material change” after the word “release” in the first paragraph.

24. Section 75 of the said Act is amended by replacing the words “140 days from the end of its financial year” by the words “the time fixed by regulation”.

25. Section 76 of the said Act is amended by replacing the words “60 days from the end of each of the first three quarters of its financial year” by the words “the time fixed by regulation”.

26. Section 77 of the said Act is amended by replacing the words “140 days from the end of its financial year” by the words “the time fixed by regulation”.

27. Section 78 of the said Act is replaced by the following section:

“78. Within the time fixed by regulation, every reporting issuer shall send to every registered holder of its securities, other than holders of debt securities, and to the Commission a quarterly report including the financial statements provided for in section 76 and the information required by regulation.”

28. Section 80 of the said Act is replaced by the following section:

“80. The financial statements and auditor’s report required under this Act or the regulations must be drawn up in accordance with the standards established by regulation.”

29. The said Act is amended by replacing the word “PERMANENT” in the title of Chapter III of Title III by the words “ANNUAL INFORMATION STATEMENT AND PERMANENT”.

30. Section 84 of the said Act is replaced by the following section :

“84. Every reporting issuer shall, within the time fixed by regulation, file an annual information statement with the Commission containing the information prescribed by regulation.”

31. Section 85 of the said Act is replaced by the following section :

“85. Every reporting issuer intending to avail itself of the simplified prospectus scheme shall file a permanent information record with the Commission.

The permanent information record shall contain

(1) the annual information statement ;

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

32. Section 86 of the said Act is repealed.

33. Section 87 of the said Act is amended by inserting the words “annual information statement or, where applicable,” after the words “a copy of its”.

34. Section 88 of the said Act is repealed.

35. Section 96 of the said Act is amended by replacing the words “within ten days thereafter and in the form” by the words “according to the terms and conditions, in the form and within the time”.

36. Section 98 of the said Act is amended by replacing the words “the first ten days of the month following the month in which he is so deemed” by the words “the time fixed by regulation”.

37. Section 103.1 of the said Act is replaced by the following section :

“103.1. The issuer of a security to which a special continuous disclosure scheme established by regulation applies is bound only by the obligations that are prescribed by regulation with respect to continuous disclosure concerning that security.”

38. Section 108 of the said Act is amended

(1) by replacing the words “prepare a simplified prospectus referred to in” by the words “avail itself of a special scheme under” ;

(2) by replacing “84 to 88” by “84, 85 and 87”.

39. Section 126 of the said Act is amended by replacing the words “price on that market on the day of the transaction” in the second paragraph by the words “reference price established in the manner prescribed by regulation”.

40. Section 128 of the said Act is amended by replacing the second paragraph by the following paragraph:

“The offeror shall file the documents referred to in the first paragraph with the Commission and send them to the offeree company not later than the day on which they are sent to the security holders or on which the advertisement provided for in section 129.1 is published.”

41. The said Act is amended by inserting, after section 129, the following section:

“129.1. The offeror may make or amend the take-over bid by way of a newspaper advertisement on the conditions and in the manner prescribed by regulation.

The documents shall be sent to the holders of securities of the offeree company within the time fixed by regulation.”

42. Section 130 of the said Act is amended by replacing the words “five days after the expiry of the bid” in the third paragraph by the words “the period fixed by regulation”.

43. Section 133 of the said Act is amended by adding, at the end of the second paragraph, the words “except in the case provided for in section 129.1, where they become effective on the day of publication”.

44. Section 134 of the said Act is amended by replacing the words “not later than ten days from the date the take-over bid is made” in the first paragraph by the words “within the time fixed by regulation”.

45. Section 136 of the said Act is amended by replacing the words “not later than seven days before the bid expires” in the second paragraph by the words “within the time fixed by regulation”.

46. Section 138 of the said Act is amended by replacing the words “five days after the notice” by the words “the time fixed by regulation”.

47. Section 147.3 of the said Act is amended by replacing the words “not be less than 21 days from the date thereof” by the words “be at least equal to the minimum period fixed by regulation”.

48. Section 147.4 of the said Act is amended by replacing the words “For 21 days from the date of the bid” by the words “During the period fixed by regulation”.

49. Section 147.5 of the said Act is replaced by the following section :

“147.5. Securities deposited in response to a bid may be withdrawn by giving notice in writing to the depository on the conditions, in the manner and within the time fixed by regulation.”

50. Section 147.6 of the said Act is amended

(1) by replacing the words “10 days from the expiry of the bid” in the first paragraph by the words “the time fixed by regulation” ;

(2) by replacing the words “not more than three days after the taking up of the securities” in the second paragraph by the words “within the time fixed by regulation”.

51. Section 147.7 of the said Act is amended by replacing the words “10 days of their deposit” by the words “the time fixed by regulation”.

52. Section 147.8 of the said Act is amended by replacing the words “10 days after the notice of variation has been delivered” by the words “the expiry of the time fixed by regulation”.

53. Section 147.9 of the said Act is replaced by the following section :

“147.9. An offeror wishing to extend the period during which securities may be deposited pursuant to a bid all the terms of which have been complied with shall first take up all securities deposited thereunder.

However, where the offeror waives one term of the bid or varies the terms of the bid and extends the bid as provided in section 130, the offeror may not take up securities which may be withdrawn pursuant to section 147.5.”

54. Section 147.21 of the said Act is amended by adding the following paragraph :

“(3) the securities are purchased from current or former employees of the issuer or a company of the same group and, in the case of securities traded on an organized market, where

(a) the consideration offered does not exceed the average market price established in the manner prescribed by regulation ; and

(b) the securities acquired under this exemption over a twelve-month period do not represent more than 5% of the securities of the class that are outstanding at the commencement of the period.”

55. The said Act is amended by inserting, after section 148, the following section :

“148.1. The Commission may require that a candidate or a class of candidates it determines pursue their activities through a subsidiary as regards the field of securities for which registration is sought.”

56. Section 150 of the said Act is replaced by the following section :

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

57. Section 155.1 of the said Act is amended by striking out paragraph 3.

58. Section 157 of the said Act is replaced by the following section :

“157. A person authorized by a competent authority to act as a securities dealer or securities adviser outside Québec, and who has no establishment in Canada, is exempt from registration to the extent that the person’s operations in Québec

(1) concern only persons in respect of whom the prospectus exemptions provided for in section 43 apply ;

(2) involve securities of an issuer that has not made a distribution by way of a prospectus in Canada ; and

(3) are conducted without solicitation.”

59. Section 158 of the said Act is amended by replacing the words “fixed by the policy statements of the Commission” in the second paragraph by the words “prescribed by regulation”.

60. Section 160 of the said Act is replaced by the following section :

“160. All registrants are required to act in good faith and with honesty and loyalty in their dealings with clients.”

61. The said Act is amended by inserting, after section 160, the following section :

“160.1. In their dealings with clients and in the execution of the mandates entrusted to them by their clients, registrants are required to act with all the care that may be expected of a knowledgeable professional acting in the same circumstances.”

62. Section 165 of the said Act is amended by replacing the first paragraph by the following paragraph :

“165. A dealer or any other person holding the securities of a reporting issuer on behalf of clients shall forward to the owner of the securities all the

documents received concerning the securities at the expense of the person designated, at the rate fixed, in the circumstances and according to the other conditions prescribed by regulation.”

63. The said Act is amended by inserting, after section 165, the following section :

“165.1. A dealer or any other person holding the securities of a reporting issuer on behalf of clients is required to provide the issuer with a list of the names and addresses of those clients, where the issuer so requests in order to discharge its obligation to send documents to those clients, and to specify the number of securities held by each client and the preferred language of correspondence, except where a client has given written instructions that such information is not to be disclosed to the issuer.”

64. The said Act is amended by inserting, after section 168.1, the following chapter :

“CHAPTER V

“CONFLICTS OF INTEREST IN RELATION TO DISTRIBUTIONS

“168.2. A dealer that, as a member of an underwriting syndicate, best efforts underwriting syndicate or investment syndicate, participates in a distribution of the dealer’s own securities or of the securities of an issuer of which the dealer is not entirely independent, is required to act in the same manner as if acting at arm’s length.

The dealer and every other member of the underwriting syndicate or best efforts underwriting syndicate must be able, at all times, to provide the proof establishing that the distribution is being made under competitive terms.

“168.3. The dealer shall adopt control measures for the purposes of section 168.2 and see that they are implemented.

“168.4. The control measures taken pursuant to section 168.3 shall be disclosed in the manner prescribed by regulation.”

65. Section 170 of the said Act is amended by replacing “26 of section 331” in the second paragraph by “32 of section 331.1”.

66. The said Act is amended by inserting, after section 170.1, the following section :

“170.2. The Commission may require that the promoter of an electronic trading system be recognized as a self-regulatory organization or registered as a broker in order to carry on business in Québec. The Commission may, at the same time, define a special scheme with respect to the operation of the trading system.

For the purpose of making a decision under this section, the Commission shall determine the relevant connecting factors in order to ensure the protection of investors.”

67. Section 198 of the said Act is repealed.

68. Section 199 of the said Act is amended by adding the words “or if the declaration appears in a preliminary or final prospectus for which the Commission has issued a receipt” at the end of subparagraph 4 of the first paragraph.

69. Section 206 of the said Act is repealed.

70. The said Act is amended by inserting, after section 210, the following section:

“210.1. The fine imposed by a court belongs to the Commission where the Commission has taken charge of the prosecution.”

71. Section 239 of the said Act is replaced by the following section:

“239. The Commission may order an investigation

(1) to ascertain whether the Act and the regulations are complied with;

(2) to repress contraventions to the Act or the regulations;

(3) to repress contraventions to the securities legislation of another legislative authority;

(4) within the scope of an agreement entered into pursuant to section 295.1;

(5) to ascertain whether it would be advisable to recommend that the Minister appoint a provisional administrator.”

72. The said Act is amended by inserting, after section 269.1, the following section:

“269.2. The Commission may, where it considers it to be in the public interest, apply to the court for a declaration to the effect that a person has failed to discharge an obligation under this Act or a regulation, and that the person be condemned to pay damages up to the amount of the damage caused to other persons.

The court may also impose punitive damages, or order the person to repay the profits derived as a result of the failure.

A motion by the Commission under this section shall be filed in the district in which the residence or principal establishment of the person concerned is

situated or, if the person has neither residence nor establishment in Québec, in the district of Montréal.”

73. The said Act is amended by inserting, after section 273, the following sections :

“273.1. Where the Commission becomes aware of facts establishing that a reporting issuer, an issuer having made a distribution pursuant to a prospectus exemption under sections 43 to 56, or a person registered pursuant to section 148 or 149, has failed to comply with a provision under this Act or a regulation made under its authority, the Commission may impose an administrative penalty on the offender and receive payment thereof.

The amount of the penalty may in no case exceed \$1,000,000.

The amounts collected under the first paragraph, if any, shall be paid into a fund established under section 276.4 and allocated to the education of investors or the promotion of their general interest.

“273.2. The Commission may impose on a person referred to in section 273.1, in addition to a penalty provided for therein, the obligation to repay the cost of any inspection or investigation that provided proof of the facts establishing the failure to comply with the provision concerned, according to the rate established by regulation.

“273.3. The Commission may prohibit a person from acting as a director or senior executive of an issuer on the grounds set out in article 329 of the Civil Code, or where a penalty has been imposed on the person under this Act.

The prohibition imposed by the Commission may not exceed five years.

The Commission may, at the request of the person concerned, lift the prohibition on such conditions as it considers appropriate.”

74. Section 274 of the said Act is amended by striking out the second paragraph.

75. Section 277 of the said Act is amended

(1) by replacing “seven” in the first paragraph by “nine”;

(2) by replacing “two” in the first and second paragraphs by “three”.

76. Section 281 of the said Act is repealed.

77. The said Act is amended by inserting, after section 281, the following section :

“281.1. No member of the personnel of the Commission may have a direct or indirect interest in an undertaking that may put the member’s personal interest in conflict with the member’s duties of office. Any interest that devolves by succession or gift must be renounced or disposed of with diligence.”

78. Section 283 of the said Act is replaced by the following section :

“283. No proceeding may be brought against the Commission, a member of the Commission or of its personnel, its appointed agent or any person exercising a delegated power, for official acts done in good faith in the exercise of their functions.”

79. The said Act is amended by inserting, after section 294, the following section :

“294.1. The Commission may allow a document or attestation required by the legislation of another legislative authority to be substituted for a document or attestation prescribed by this Act.

The Commission may also accept the substitution of other documents for such documents and attestations, provided that they contain equivalent information.”

80. The said Act is amended by inserting, after section 297, the following section :

“297.1. The Commission may communicate personal information, without the consent of the person concerned, to a person or organization responsible, by law, for the prevention, detection or repression of crime or statutory offences outside Québec, if the information relates to an offence under this Act or under securities legislation applicable outside Québec.

The Commission may also communicate personal information that relates to a person required to be registered under Title V, a senior executive, an insider, a promoter or a person having, even indirectly, significant influence on an issuer, a registrant, a self-regulatory organization or a company involved in a take-over bid or issuer bid or a merger or reorganization, without the consent of the person concerned, to a person or organization, even outside Québec, acting in the securities regulation or monitoring field.”

81. Section 300 of the said Act is repealed.

82. Section 301 of the said Act is replaced by the following section :

“301. The rules of ethics to which the members of the personnel of the Commission are subject, the applicable penalties, and the procedure to be followed in imposing such penalties, shall be determined by regulation.”

83. Section 307 of the said Act is amended by striking out the second paragraph.

84. Section 308 of the said Act is replaced by the following section :

“308. The Commission may not delegate the power to review its decisions, the power to order an investigation under section 239, the power to institute court proceedings under this Act in the name of the Commission, the power to render a decision pursuant to Title VI, the power to make a freeze order pursuant to Title IX, the power to recommend to the Minister the appointment of a provisional administrator, the liquidation of the property of a person or the liquidation of a partnership, the power to impose an administrative penalty under section 273.1, the power to make regulations and the power to establish policy statements. However, the Commission may delegate the power to order an investigation under section 239 to one of its members.”

85. The said Act is amended by inserting, after section 312, the following section :

“312.1. A member of the Commission who has examined a matter with a view to ordering an investigation under section 239 must refrain from attending the sitting during which the matter is to be discussed, unless the parties consent thereto.”

86. The said Act is amended by inserting, after section 314, the following section :

“314.1. By way of exception, the Commission may suspend the holding of a hearing until the applicant undertakes to pay the cost of the research work that the Commission considers necessary in order to rule on the issue submitted to it.

Similarly, the Commission may require one of the parties to pay the representation costs incurred by investors or, if it is in the public interest, it may pay such costs itself.”

87. The said Act is amended by inserting, after section 318, the following section :

“318.1. For the purpose of rendering a decision, the Commission or a person exercising a delegated power may, within the scope of a consultation mechanism established by regulation or an agreement under section 295.1, consider a factual analysis prepared by the personnel of an organization pursuing similar objects.”

88. Section 320.1 of the said Act is amended by replacing the first paragraph by the following paragraphs :

“320.1. The Commission may file an authentic copy of a decision it has rendered or rendered by a person exercising a delegated power at the office of the clerk of the Superior Court of the district in which the residence or domicile of the person concerned is situated or, if the person has neither residence nor domicile in Québec, at the office of the Superior Court in the district of Montréal.

The Commission may, in the same manner, file a copy of a decision rendered outside Québec by a similar organization, if it is of the opinion that the decision is consistent with the essential principles of procedure and that it is in the public interest to do so.”

89. The said Act is amended by inserting, after section 320.1, the following section:

“320.2. A decision containing a clerical error, a mistake in calculation or any other error of form may be rectified on the record by a member of the Commission having taken part in the decision.”

90. Section 324 of the said Act is amended

- (1) by inserting “final” before “decision”;
- (2) by striking out “three judges of”.

91. Section 331 of the said Act is replaced by the following section:

“331. The Commission may, by regulation,

(1) define the procedure to be followed in any matter relating to the application of this Act;

(2) establish the minimum amount of a portfolio to which section 45 applies;

(3) determine the stipulations that a contract referred to in section 47 must contain;

(4) fix the minimum amount of a subscription or acquisition for the purposes of section 51, and define the conditions applicable to an exemption under that section;

(5) determine the securities that qualify as gilt-edged securities for the purposes of section 57;

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

(7) define the conditions on which a dealer may use credit balances not given in guarantee;

(8) establish the special rules of ethics to which the members of the personnel of the Commission are subject, and the applicable penalties ;

(9) prescribe the fees payable 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 ;

(10) prescribe the fees payable by an investor for a securities transaction, and the procedure for collecting the fees and remitting them to the Commission ;

(11) establish the rates referred to in sections 212, 273.2, 330.9 and 330.10.

A regulation made under this section shall be submitted to the Government for approval, with or without amendment.

The Government may make or amend a regulation under this section if the Commission does not do so within the time specified by the Government.”

92. Section 331.1 of the said Act is replaced by the following section :

“331.1. The Commission may, by regulation,

(1) determine the form and content of the documents, declarations, statements and attestations required under this Act or the regulations ;

(2) determine, from among the documents required under this Act to be filed with or transmitted to it, those that must be filed or transmitted using the medium or technology it specifies in the regulation ;

(3) fix various time limits and periods in accordance with the provisions of this Act ;

(4) determine the percentages of securities of a class or series of the securities of an issuer and establish the terms and conditions for the purposes of paragraph 9 of the definition of “distribution” in section 5 ;

(5) determine the cases and prescribe the information and attestations to which the second paragraph of section 12 and section 40.1 apply ;

(6) impose conditions or an undertaking for the issue by the Commission of a receipt in respect of a prospectus, and fix the conditions on which a security may be distributed by way of various types of prospectus ;

(7) establish the rules governing the designation of securities and the changes made to their characteristics ;

(8) prescribe the information concerning securities or securities transactions that must be transmitted to the Commission, self-regulatory organizations, security holders, investors, clients or the general public, and establish the

management rules to be complied with by a registrant in order to safeguard the interests of clients ;

(9) define accounting requirements for issuers, securities dealers and advisers and self-regulatory organizations, and the requirements relating to the books, registers and other documents they must keep and to the preparation and audit of their financial statements ;

(10) confer on some of the rules or standards established by a self-regulatory organization or professional association, and any amendments made thereto, the force and effect of a regulation made under this Act ;

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

(12) prohibit the use of advertising documents during a distribution ;

(13) define the cases in which the Commission may refuse to issue a receipt for a prospectus referred to in Title II ;

(14) establish special disclosure schemes for securities distributions based on the nature of the securities involved or the categories of issuers, fix the new conditions for the use of such schemes and prescribe the documents that may stand in lieu of a prospectus on the conditions determined by the Commission ;

(15) prohibit or impose conditions applicable to any operation designed to fix, stabilize or influence the quoted price of a security ;

(16) establish operating rules for the management, stewardship, safekeeping and composition of the assets of mutual funds and unincorporated mutual funds and prohibit certain transactions for the protection of the holders of securities ;

(17) prohibit or impose conditions applicable to securities transactions with and loans made to persons who are not entirely independent of a mutual fund or unincorporated mutual fund ;

(18) determine the conditions on which a body may qualify under section 67 of this Act ;

(19) establish rules concerning the financial statements and auditor's reports required under this Act or the regulations ;

(20) establish special continuous disclosure schemes for outstanding securities, based on the nature of the securities or the categories of issuers determined by the Commission ;

(21) establish any rule necessary for the implementation of Title IV as regards issuer bids and take-over bids ;

(22) fix the manner in which the average market price referred to in sections 123, 126 and 147.21 is established;

(23) establish the manner in which authorization is granted by the offeror for the purposes of section 129;

(24) prescribe measures to protect minority shareholders with respect to the transactions determined by the Commission that are carried out by issuers or other persons having access to the financial market and that are likely to give rise to situations of conflict of interest;

(25) determine the conditions subject to which a person resident outside Québec may apply for registration or hold an interest in the capital of a registrant;

(26) establish categories of registration, the conditions to be met by applicants, the duration of registration and the rules governing the activities of registrants;

(27) define, for the purposes of section 159, the changes that must be notified to the Commission and those for which approval must be obtained from the Commission;

(28) establish the obligations incumbent on registrants and self-regulatory organizations following a transaction in counterfeit, lost or stolen securities;

(29) determine the cases and circumstances in which a dealer must participate in a contingency fund;

(30) establish the rules and procedures that apply to the transmission of documents referred to in section 165;

(31) establish the rules that apply to the disclosure of the control measures implemented pursuant to section 168.4;

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

(33) establish a mechanism for consulting with an organization pursuing similar objects, concerning matters coming under the authority of this Act and of the legislation of the legislative authority having jurisdiction over such organization.”

93. The said Act is amended by inserting, after section 331.1, the following section:

“331.2. Every regulation made under section 331.1 must be approved, with or without amendment, by the Minister.

The Minister may make a regulation under this section if the Commission does not do so within the time specified by the Minister.

A draft regulation shall be published in the Bulletin of the Commission, accompanied with the notice required under section 10 of the Regulations Act (chapter R-18.1).

A draft regulation may not be submitted for approval or be made before 30 days have elapsed since its publication.

The regulation comes into force on the date of its publication in the *Gazette officielle du Québec* or on any later date specified in the regulation. It shall also be published in the Bulletin.

Sections 4 to 8, 11 and 17 to 19 of the Regulations Act do not apply to a regulation made under section 331.1.”

94. Section 332 of the said Act is replaced by the following section :

“332. The Government may, by regulation,

(1) determine the other forms of investment subject to this Act ;

(2) determine the remunerated business to which section 149 applies.”

95. Section 333 of the said Act is amended by replacing “or the Commission” by “, the Minister or the Commission”.

96. Section 335 of the said Act is amended by striking out the words “or 331.1”.

97. Section 9 of the Act respecting the distribution of financial products and services (R.S.Q., chapter D-9.2) is amended by replacing “a dealer governed by” in the first paragraph by “a person registered as a dealer acting as principal or as agent within the meaning of”.

98. Schedule IV to the Act respecting administrative justice (R.S.Q., chapter J-3) is amended by striking out paragraph 27.

99. Section 7 of the Act respecting the disclosure of the compensation received by the executive officers of certain legal persons (R.S.Q., chapter I-8.01) is amended by adding, at the end of the first paragraph, the words “It may, to that end, exercise the powers conferred on it by the Securities Act.”

100. The policy statements are deemed to be regulations to the extent that they concern matters for which the new Act provides regulatory powers and that they are consistent with the new Act and the regulations made under its authority.

101. The provisions of this Act come into force on 1 November 2001, except the provisions of paragraph 3 of section 5, sections 8 to 13, 15 to 17, paragraph 2 of section 18, sections 19, 20, 22 to 33, 35 to 52, 54, 58 to 60, 64, 82 and 100, which come into force on the date or dates to be fixed by the Government.