CSA’s Prospectus Relief marks strategic shift to boost market activity

April 30, 2025

In a significant development for Canadian capital markets, the Canadian Securities Administrators (CSA) have introduced a trio of blanket orders that ease certain prospectus and disclosure requirements. These changes are designed to reduce the financial and administrative burden associated with going public in Canada, enhance capital raising flexibility for issuers that have recently completed an initial public offering (IPO), and better facilitate exempt market capital raising. These changes provide welcome relief for issuers and investors in Canadian capital markets.

Takeaways

- The CSA has reduced key barriers to raising capital in Canadian public markets in a bold regulatory shift to stimulate capital market activity in the face of a market downturn and general economic uncertainty.
- Issuers are now only required to include two years of audited financial statements in connection with IPOs and certain other transactions where prospectus level disclosure is required.
- Marketing materials and standard term sheets distributed during the waiting period can include prices, total number and total dollar amounts of the offered securities even if not included in the preliminary prospectus.
- Issuers no longer need to seek relief for promoter certificates if the promoter signs a certificate in the prospectus in another capacity, subject to certain conditions.
- Newly public reporting issuers can take advantage of a prospectus exemption that allows them to raise additional capital (up to the lesser of $100 million and 20 per cent of the market value of the issuer’s listed equity securities) within the 12-month period following their underwritten IPO.
- An exemption to the 12-month $100,000 investment limit in the offering memorandum prospectus exemption allows investors to re-invest the proceeds of a disposition of their investment in the same issuer provided they have received suitability advice from a registered dealer or registered advisor.

The Orders

On April 17, 2025 three harmonized blanket orders (collectively, the Orders) aimed at streamlining and reducing the time and expense of complying with certain regulatory requirements became effective in an effort by the CSA to facilitate capital raising for new issuers in Canada. The Orders include:

- **The Prospectus and Disclosure Blanket Order**: Provides an exemption from certain prescribed disclosure requirements in connection with a prospectus (and other documents requiring prospectus-level disclosure), making it more cost effective to go public in Canada while reducing administrative burden.
- **The New Reporting Issuer Blanket Order**: Provides a prospectus exemption to issuers for the 12 months following receipt of a final long form prospectus, enhancing capital raising flexibility.
- **The Offering Memorandum Blanket Order**: Allows certain non-accredited investors to reinvest additional capital in issuers beyond currently prescribed maximums, creating additional capital raising opportunities for issuers and investment opportunities for individuals.

Prospectus and Disclosure Blanket Order

The Prospectus and Disclosure Blanket Order includes three key exemptions aimed at (i) reducing costs for companies using a long-form prospectus to go public in Canada and (ii) streamlining other disclosure requirements. Reliance on this Blanket Order should be referenced in the applicable disclosure document.

Third year historical financial statements

Issuers are no longer required to provide audited financial statements for the third most recently completed financial year in connection with IPOs and other transactions where prospectus level disclosure is required in a disclosure document, like a circular or material change report. Financial statement requirements are a gating item for all IPOs and many significant transactions. In particular, issuers have faced challenges in obtaining audited financial statements for the third most recently completed financial year where their businesses have grown through acquisition in the years leading up to going pubic. In many cases, exemptive relief has been required to address gaps in the availability of financial records. Notably, regulators have been unwilling to grant relief where the barrier to compliance has been time and expense. This Prospectus and Disclosure Blanket Order removes additional costs to issuers to meet a disclosure requirement that provided limited incremental information to investors and helps to put Canadian securities laws in line with comparable jurisdictions.

Issuers are reminded that this relief is only with respect to financial statement requirements and that other disclosure requirements that may relate to the third most recently completed year will still apply.

Standard term sheets and marketing materials during the waiting period

In an attempt to facilitate flexibility and deal certainty, the Prospectus and Disclosure Blanket Order permits issuers to include pricing or deal size information in standard term sheets and marketing materials used during the IPO waiting period provided a news release with such information is issued in advance and all other information in the

issuer's marketing materials are derived from the preliminary prospectus. An amended preliminary prospectus will not be required before disclosing new or amended pricing and deal size information. This provides relief from the requirement that all information contained in standard term sheets and marketing materials provided during the IPO waiting period be disclosed in, or derived from, a previously filed preliminary prospectus.

Promoter certificate exemptions

The Prospectus and Disclosure Blanket Order exempts issuers from including a promoter certificate in a prospectus where the promoter is an individual provided that the individual has signed a certificate elsewhere in the prospectus in a different capacity (i.e., as a director or officer). Promoters are defined in the Securities Act (Ontario) as:

- A person who, acting alone or in concert with others, takes the initiative in founding, organizing or substantially reorganizing the business of an issuer; or
- A person who, in connection with the founding, organizing or substantial reorganizing of the business of an issuer, receives in consideration of services or property, or both services and property, 10 per cent or more of any class of securities of the issuer or 10 per cent or more of the proceeds from the sale of any class of securities of a particular issue.

This is a positive development for founder-led companies where the founder would be required to sign a prospectus in their capacity as a Chief Executive Officer and a promoter, absent exemptive relief which can be time consuming and costly. Signing a promoter certificate in this context would not increase the individual's statutory liability or provide a benefit to investors.

Additional relief has also been adopted in Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick and Nova Scotia from the requirement to include a promoter certificate in a prospectus for issuers that have been reporting issuers for at least 24 months where the promoter is not a director, officer or control person.

This exemption eliminates the time and cost associated with exemptive relief applications often required by issuers and recognizes the duplicative nature of providing a promoter certificate where statutory liability for a misrepresentation in a prospectus is assumed elsewhere.

New Reporting Issuer Blanket Order

The New Reporting Issuer Blanket Order creates a new prospectus exemption for issuers that have recently gone public through an underwritten IPO, giving them greater flexibility to raise additional capital following the IPO, provided certain conditions are met.

The New Reporting Issuer Blanket Order allows an issuer to distribute up to the lesser of:

- $100,000,000; or
- 20 per cent of the aggregate market value of the issuer's listed equity securities,

within the 12-month period after a receipt is issued for a final long form IPO prospectus for an underwritten offering. The securities distributed under the New Reporting Issuer Blanket Order must be of the same class qualified under the IPO prospectus, and the price offered per security must not be less than the price per security distributed under the IPO prospectus.

Issuers are required to issue a news release announcing the offering in reliance on the New Reporting Issuer Blanket Order. Issuers will also need to file an offering document on SEDAR+ with certain disclosure requirements before soliciting an offer to purchase securities. Enhanced disclosure is required by non-venture issuers where the proceeds will be used for a probable or recently completed significant acquisition. Further, the exemption may not be used in certain circumstances, including where a new control person is created or where the offering proceeds are allocated to a restructuring transaction.

The New Reporting Issuer Blanket Order should help to facilitate capital raising for new reporting issuers (other than investment funds). Given that new issuers will have gone through a lengthy review and comment process during the IPO process and must continue to file all periodic and timely disclosure documents, the New Reporting Issuer Blanket Order strikes a balance between investor protection and capital formation.

Offering Memorandum Blanket Order

In Alberta, New Brunswick, Nova Scotia, Ontario, Québec and Saskatchewan, the offering memorandum prospectus exemption includes investment limits for individuals who do not meet the definition of “accredited investor”, including a limit of $100,000 over a period of 12 months if the investor receives advice from a registered dealer or adviser. The Offering Memorandum Blanket Order provides an exemption from the 12-month $100,000 investment limit to allow for reinvestment of proceeds in the same issuer, subject to the investor receiving advice that the reinvestment of proceeds continues to be suitable for the investor. Issuers will also be required to file a report of exempt distribution and provide written note of reliance within 10 days of a distribution. There is no such limit in the non-participating CSA jurisdictions.

The Offering Memorandum Blanket Order will increase capital raising opportunities for issuers and enable investors to participate in greater financing opportunities.

From an investment management perspective, the Offering Memorandum Blanket Order may be of interest to real estate and mortgage funds, but will otherwise be of more limited application, as the exemption does not apply to investment funds in New Brunswick, Ontario and Québec. In Alberta, Nova Scotia and Saskatchewan, the exemption does not apply to an issuer that is an investment fund unless the issuer is a non-redeemable investment fund or a mutual fund that is a reporting issuer.

Next steps

The Orders came into effect on April 17, 2025 and, in some jurisdictions, will expire on a date based on the term limits for blanket orders in those jurisdictions unless extended. In Ontario, the Orders expire on October 16, 2026.

The Orders mark a positive step forward in modernizing Canada's capital-raising regime. For corporate issuers, particularly those eyeing a public listing, the Prospectus and Disclosure Blanket Order and New Reporting Issuer Blanket Order will reduce IPO-related costs, improve IPO deal price certainty, and offer a new post-IPO financing mechanism. The Orders come at a crucial time given Canadian capital markets have seen a dearth of IPOs and the size of public markets have continued to shrink. There has only been one operating company IPO on the Toronto Stock Exchange (TSX) in each of 2023 and 2024 and the number of companies listed on the TSX has been declining for 20 years, with a 42.5 per cent decrease since 2008.[1]

Although these exemptions do not apply to investment funds, they nevertheless offer broader benefits to the exempt market. By enabling greater reinvestment flexibility for non-accredited investors, the Offering Memorandum Blanket Order enhances investor access to private investment opportunities, potentially increasing liquidity and capital formation in the exempt market.
It remains to be seen if the Orders will create a material impact on capital markets, but they represent a promising step toward modernizing the Canadian regulatory framework and could lead to further reforms aimed at improving capital formation while making Canadian capital markets more attractive to companies.

For more information, see:

- CSA Notice Regarding Coordinated Blanket Orders Coordinated Blanket Order 41-930 Exemptions from Certain Prospectus and Disclosure Requirements Coordinated Blanket Order 45-930 Prospectus Exemption for New Reporting Issuers Coordinated Blanket Order 45-933 Exemption from the Investment Limit under the Offering Memorandum Prospectus Exemption to Exclude Reinvestment Amounts (April 17, 2025)
- Coordinated Blanket Order 41-930 – Exemptions from Certain Prospectus and Disclosure Requirements
- Coordinated Blanket Order 45-930 – Prospectus Exemption for New Reporting Issuers
- Coordinated Blanket Order 45-933 - Exemption from the Investment Limit under the Offering Memorandum Prospectus Exemption to Exclude Reinvestment Amount

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Footnote

[1] L. Daniel Wilson, "Leaving the Big Canadian Senior Market Health Check: Future Relevancy of the Public Markets at Risk as Operating Public Company Decline Accelerates" (2025) University of Calgary School of Public Policy, Research Paper Volume 18:1.

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