

Lightening the load: CSA proposes semi-annual financial reporting for venture issuers

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The Canadian Securities Administrators (CSA) are seeking feedback on their proposal to allow certain reporting issuers to elect to report their financial results only twice per year. The change is aimed at reducing the disproportionate costs quarterly reporting creates for smaller issuers.

What you need to know:

- Under the proposal, venture issuers could elect to report their financial results semi-annually instead of quarterly.
- Alternative disclosure of major updates and material events would be required for periods where financial results are not filed.
- The option for semi-annual financial reporting would only be available to non-investment fund, non-U.S. Securities and Exchange Commission (SEC) venture issuers.
- Semi-annual financial disclosure will likely be in the form of the new disclosure statement, which is poised to combine and replace the separate financial statements and MD&A.
- If accepted, changes are unlikely to be effective until December 2023 (at the earliest).
- The CSA comment period is open until September 17, 2021.

On May 20, 2021, the CSA published a [Request for Comment](#) inviting concerned parties to comment on their proposed semi-annual reporting framework (Framework). The Framework would allow some venture issuers to choose to report their financial results on a semi-annual basis instead of quarterly. The proposal is part of the CSA's ongoing efforts to streamline and modernize the capital markets regime in Canada. The Framework is designed to alleviate the drain on resources created by mandatory quarterly financial reporting.

Who can report semi-annually?

As it stands under the Framework, the option to report financial results semi-annually will only be available to venture issuers that are not investment funds and are not

regulated by the SEC. Venture issuers are typically smaller public companies listed on the TSX Venture Exchange or Canadian Securities Exchange. The proposed changes are especially welcome for early-stage companies that do not generate significant revenue, such as mining exploration issuers, and whose financial results do not change significantly from quarter-to-quarter.

The CSA proposal follows similar recommendations made by the Capital Markets Modernization Task Force (Task Force) in their [Final Report published in January 2021](#). The Task Force recommended that semi-annual reporting be limited to companies with \$10 million or less in annual revenue. While the CSA did not include a similar limit on annual revenue in their Framework, they have asked commenters to weigh in on whether revenue, market capitalization, or other factors should be considered when determining which companies semi-annual reporting should be available to.

Other changes to reporting requirements

In response to concerns surrounding reduced availability of information in the market resulting from less frequent financial reporting, the Framework includes requirements for alternative disclosure. Within 60 days of the end of each quarter for which a qualifying issuer does not report financial results, the issuer will be required to issue a special news release. This alternative disclosure news release must include details of major operating updates, material risks to future operations, significant changes from previous disclosures regarding the use of proceeds, and information on material events.

The CSA Request for Comment also includes proposed amendments to National Instrument 51-102 *Continuous Disclosure Obligations* (NI 51-102). Under these amendments, an issuer will no longer be required to separately file its financial statements and management's discussion and analysis each quarter, and will instead file a new form of disclosure statement designed to combine the former documents while eliminating the redundancies between the two. If the Framework and the NI 51-102 amendments are both approved and made effective, qualifying venture issuers will be able to file two financial reports and two news releases per year instead of the eight financial reports currently required.

The amendments to NI 51-102 are expected to become effective on December 15, 2023. While the amendments required to enact the Framework are not drafted, it is possible that they could be ready by the same date. Stakeholders may submit their comments on either set of proposed changes to the CSA until September 17, 2021.

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