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Canadian Securities Regulators' Review Finds Medical Marijuana Business Disclosure Deficient

Toronto – Members of the Canadian Securities Administrators (CSA) today released CSA Staff Notice 51-342 *Staff Review of Issuers Entering Into Medical Marijuana Business Opportunities*, which summarizes the CSA's findings and disclosure expectations for reporting issuers contemplating involvement in Canada's medical marijuana industry.

The CSA's review aimed to determine if reporting issuers were meeting the requirements of National Instrument 51-102 *Continuous Disclosure Obligations*, in providing sufficient and balanced disclosure on their intent to enter the medical marijuana field.

"Overall, the review found unbalanced and promotional disclosure that often promoted the benefits, but failed to outline the risks involved," said Bill Rice, Chair of the CSA and Chair and CEO of the Alberta Securities Commission. "The level of deficiency in issuers' disclosure is unacceptable as investors need comprehensive, balanced information to understand the business changes being proposed by these issuers."

While the review found that the benefits associated with involvement in the medical marijuana industry were often discussed, these discussions were not consistently accompanied by clear disclosure about the risks, cost and time required before an issuer can begin licensed operations. Additionally, issuers' disclosure often did not include a discussion about the barriers and obligations to entering this industry.

The CSA determined that 25 reporting issuers raised serious investor protection concerns. These reporting issuers were generally at a preliminary stage of entry into the medical marijuana field.

The CSA sent comment letters to all issuers in the scope of its review and asked 92 per cent of them to file a clarifying disclosure document, which they did.

The review identified, among others, the following disclosure deficiencies:

- lack of clear discussion regarding the issuer's stage of entry into the medical marijuana field;
- no discussion about time and cost requirements;
- lack of discussion regarding Health Canada's medical marijuana licensing requirements;
- failure to acknowledge that the issuer will not be able to grow or sell medical marijuana without a licence from Health Canada; and
- no discussion of approvals obtained or required before the issuer may proceed with its proposed business plans (for example, from the board of directors, shareholders or the issuer's securities exchange).

The CSA will continue to review announcements from issuers exploring medical marijuana opportunities through its continuous disclosure and prospectus review programs. Issuers should also note that the disclosure guidance in this notice is applicable to companies in any industry considering a change to their primary business.

CSA Staff Notice 51-342 is available on [CSA members' websites](#).

The CSA, the council of the securities regulators of Canada's provinces and territories, co-ordinates and harmonizes regulation for Canadian capital markets.

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