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Canadian Securities Regulators Announce Results of Continuous Disclosure Reviews for Fiscal 2011

Montreal – The Canadian Securities Administrators (CSA) today published Staff Notice 51-334 *Continuous Disclosure Review Program Activities for the fiscal year ended March 31, 2011,* which summarizes the results of the CSA's continuous disclosure (CD) review program.

To assist reporting issuers in avoiding pitfalls the CSA continues to see in disclosure documents, Staff Notice 51-334 includes detailed examples of these common deficiencies found during the reviews of financial statements, Management's Discussion and Analysis (MD&A) and statements of Executive Compensation disclosure.

"The continuous disclosure review notice is a key part of the CSA's outreach to public companies to help them enhance their disclosure filings," said Bill Rice, Chair of the CSA and Chair and CEO of the Alberta Securities Commission. "Providing reliable and accurate disclosure is critical to fostering both investor confidence and efficient Canadian capital markets."

CSA members completed 1,351 CD reviews in fiscal 2011, comparable to 2010. The number of full reviews (436) conducted in fiscal 2011 decreased by 17 per cent from the previous year, while the number of issue-oriented reviews (915) increased by 11 per cent. The increase in issue-oriented reviews is due to International Financial Reporting Standards (IFRS) transition disclosure reviews, material contract filing requirement reviews and oil and gas technical disclosure reviews.

CSA members use a risk-based approach combined with a high-level screening system to select reporting issuers for CD reviews and to determine what type of review to conduct. This approach enables securities regulators to address areas of particular concern and to apply both qualitative and quantitative criteria in determining the level of review required. As market conditions change, the CD review program is adapted to incorporate new risk factors.

Upon completion of a CD review, CSA members classify the results to reflect the seriousness of the matters noted. Given the risk-based approach combined with a high-level screening system and focus on higher risk issuers, the outcomes are aligned with CSA expectations.

The results of this year's reviews are as follows:

- Four per cent of issuers were cease traded, placed on a default list or referred to Enforcement;
- 16 per cent of the reviews resulted in reporting issuers being required to amend or refile certain CD documents. This category of outcomes was made up largely of certain issue-

oriented reviews, such as those completed on National Instrument 52-109 *Certification of Disclosure in Issuer's Annual and Interim Filings* and Form 51-102F6 *Statement of Executive Compensation*;

- 40 per cent of the reviews resulted in "prospective changes", requiring reporting issuers to make enhancements to their disclosure in future filings;
- 10 per cent of the reviews resulted in reporting issuers being alerted to specific areas where disclosure enhancements should be considered, as part of the CSA's effort to educate issuers; and
- 30 per cent of issuers were not required to make any changes or additional filings.

Excluding investment funds and issuers that have been cease-traded, there are approximately 4,100 active reporting issuers in Canada. These issuers are subject to regular full and issue-oriented reviews as part of the CSA CD review program.

CSA Staff Notice 51-334 is available on various CSA members' websites.

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

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