



**NOTICE OF REPEAL OF  
LOCAL RULE 45-509 COMMUNITY ECONOMIC DEVELOPMENT CORPORATIONS AND ASSOCIATIONS  
AND  
NOTICE OF ADOPTION OF  
LOCAL RULE 45-509 COMMUNITY ECONOMIC DEVELOPMENT CORPORATIONS AND COOPERATIVES**

**Introduction**

On 20 May 2021, the Financial and Consumer Services Commission (**Commission**) approved the repeal of existing Local Rule 45-509 *Community Economic Development Corporations and Associations* and existing Companion Policy 45-509 *Community Economic Development Corporations and Associations*. At the same meeting, the Commission approved the making of new Local Rule 45-509 *Community Economic Development Corporations and Cooperatives (LR 45-509)* as set out in Annex B and new Companion Policy 45-509CP *Community Economic Development Corporations and Cooperatives (45-509CP)* as set out in Annex C. LR 45-509 and 45-509CP will come into effect on 1 September 2021, subject to Ministerial approval.

**Background**

On 1 October 2020, the Commission published notice of the proposal to repeal existing Local Rule 45-509 *Community Economic Development Corporations and Associations* and existing Companion Policy 45-509 *Community Economic Development Corporations and Associations* and replace these with new proposed LR 45-509 and 45-509CP. The consultation period ended on 30 November 2020. One comment letter was received. After consideration, the Commission determined that there were no material changes to LR 45-509 and a second comment period was not necessary. A summary of the comments received, together with our responses, are contained in Annex A – *Summary of Comments and FCNB Responses*.

**Substance and Purpose of the Amendments**

The purpose of LR 45-509 is to continue to provide a registration and prospectus exemption for community economic development corporations and cooperatives. The rule and companion policy have incorporated changes to address comments by stakeholders. The materials also incorporate changes related to the new *Cooperatives Act*.

## **Questions**

If you have any questions, please refer them to:

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Financial and Consumer Services Commission  
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## ANNEX A

### Summary of Comments and FCNB responses

**Commenter**

Canadian Advocacy Council of CFA Societies Canada

Comment	Response
<b>Form 45-109F1 Offering Document for Community Economic Development Corporations and Cooperatives</b>	
The commenter suggested updating the Companion Policy to include a brief explanation of how the exemptions in the rule and the disclosure required in the offering document differ from the requirements under the offering memorandum exemption.	We have added additional language to the Companion Policy to provide further clarification on how the CEDC exemption differs from other securities exemptions, and how to find further information on other prospectus and registration exemptions that may be available.
The commenter encouraged the Commission to include only disclosure that is relevant for CEDCs and is supportive of having the same disclosure forms for various offerings, with modifications as needed.	We thank the commenter for its support and input. The offering document for CEDCs is intended to be consistent with offering documents for other prospectus exemptions, tailored to the CEDC program.
The commenter encouraged the Commission to continue to update the offering document requirements as the CSA examines the use of the offering memorandum exemption in proposed amendments to NI 45-106. For example, the CSA is proposing amendments to NI 45-106 that, if enacted, would require additional disclosure by issuers with respect to fees or limitations with respect to redemption or retraction rights, and any outstanding redemption or retraction requests.	We thank the commenter for its input and can confirm that we continue to monitor any amendments proposed by the CSA with respect to NI 45-106.
<b>Form 45-509F3 Risk Acknowledgement Form for Community Economic Development Corporations and Cooperatives</b>	
The commenter noted that it could be helpful to purchasers to include additional explanations on risks that are found in Form 45-106F4, including information on the nature of the exempt market, a warning about not getting advice on the purchase from a registrant and the importance of reading the information in the offering memorandum.	We have added additional language to Form 45-509F3 to warn investors on the nature of the exempt market, about not getting advice from a registrant and the importance of reading the information in the offering document.
<b>Lack of audited financial statements</b>	
The commenter had concerns about the potential lack of audited disclosure on the financial condition of the issuers utilizing this exemption.	The auditing and accounting standards for CEDCs have not changed. We believe that the requirements in the rule balance investor protection with the additional burden and costs to CEDCs of preparing audited financial statements.

**Deemed market participants of CEDCs**

The commenter supported deeming the CEDC as a market participant, since it will permit the Commission to conduct compliance reviews of CEDCs more easily.

We thank the commenter for its support and input.