



September 19, 2025

VIA EMAIL

The Secretary
Ontario Securities Commission
20 Queen Street West 22nd Floor
Toronto, Ontario M5H 3S8
E-mail: comments@osc.gov.on.ca

Re: Ontario Securities Commission Consultation Paper - Proposed Amendments to OSC Rule 48-501 Trading During Distributions, Formal Bids and Share Exchange Transactions and Proposed Changes to Companion Policy 48-501 Trading During Distributions, Formal Bids and Share Exchange Transactions – Notice of Request for Comment (the “Consultation”)

The Canadian Advocacy Council of CFA Societies Canada (the “**CAC**”)¹ appreciates the opportunity to provide the following general comments on the proposed amendments.

General Comments

As noted in our previous commentary to the OSC, the Government of Ontario’s Capital Markets Modernization Taskforce, and to CIRO on short selling-related regulatory initiatives, we maintain that new regulatory measures should be introduced only in response to specifically identified issues, supported by sufficient data demonstrating that existing regulatory mechanisms are inadequate to address problematic practices. In this data-driven context, we are supportive of the targeted and evidence-based approach reflected in the Proposed Amendments.

The Proposed Amendments represent regulation that is appropriately tailored to Canadian market characteristics and financing practices, while aligning to well-understood and comparable international regulation in SEC Rule 105.

We particularly appreciate the Commission's recognition of the unique features of the Canadian financing market, including the prevalence and mechanics of ‘bought deals’, and the concentration of activity among larger, more liquid issuers. The scope of the Proposed Amendments appropriately captures the problematic conduct of interest,

¹ The CAC is an advocacy council for CFA Societies Canada, representing the 12 CFA Institute Member Societies across Canada and over 21,000 Canadian CFA charterholders. The council includes investment professionals across Canada who review regulatory, legislative, and standard setting developments affecting investors, investment professionals, and the capital markets in Canada. Visit www.cfacanada.org to access the advocacy work of the CAC.

As the global association of investment professionals, CFA Institute sets the standard for professional excellence and credentials. The organization is a champion of ethical behaviour in investment markets and serves as the leading source of learning and research for the investment industry. CFA Institute believes in fostering an environment where investors’ interests come first, markets function at their best, and economies grow. With more than 200,000 charterholders worldwide across 160 markets, CFA Institute has ten offices and 160 local societies. Find us at www.cfainstitute.org or follow us on LinkedIn and X at @CFAInstitute.



where short sellers may seek to profit from their potential influence on the pricing of an offering, without creating unnecessary restrictions on legitimate or unrelated short selling activity. We believe the definition of "short sale" in the Proposed Amendments is appropriately focused on the conduct the amendments seek to prevent.

Overall, the Proposed Amendments are consistent with our longstanding view that short selling makes critical contributions to market liquidity and price formation in Canadian capital markets. The amendments (appropriately, in our view) do not prohibit or unduly restrict short selling itself but rather addresses a specific arbitrage opportunity that could reasonably be prone to attempted or actual manipulation. This targeted approach avoids the risk of serving as a general deterrent to short selling, which could have adverse systemic consequences for Canadian capital markets.

We note that the five-day restriction period and the available exemptions, including the separate account exemption and the exception for open-market repurchases prior to pricing, provide appropriate flexibility while maintaining the integrity and purpose of the amendments. The exemption for at-the-market distributions and distributions under section 2.42 of NI 45-106 are also sensible and appropriate in our view.

While we support the Proposed Amendments as currently drafted, we encourage the Commission and its regulatory partners to continue their commitment to data-driven policy making relating to short selling and securities financing through ongoing monitoring and review of the rule's effectiveness. As markets evolve and new financing practices and trading strategies emerge, periodic assessment will help ensure the rule continues to achieve its intended objectives without unintended consequences.

We also reiterate our previous recommendations regarding enhanced regulatory data capture and transparency into securities lending transactions. Greater regulatory insight into sometimes-opaque securities lending activity and related financing dynamics would provide valuable information for ongoing market surveillance and could inform future policy considerations. Such enhanced data collection would complement the Proposed Amendments by providing regulators with better tools to monitor compliance and assess market impact.

Concluding Remarks

We view the Proposed Amendments as a well-calibrated regulatory response that addresses identified problematic conduct while protecting and preserving the important market functions served by short selling. The Commission's alignment with established and well-understood US regulation governing similar behaviour, combined with appropriate adaptation to Canadian market characteristics, demonstrates thoughtful rule-making that should enhance market integrity without unnecessarily constraining legitimate trading activity.

We thank you for the opportunity to provide these comments and would be happy to address any questions you may have. Please feel free to contact us at cac@cfacanada.org on this or any other issue in the future.



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(Signed) *The Canadian Advocacy Council of
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