

**IN THE MATTER OF  
THE *SECURITIES ACT*, R.S.P.E.I. 1988, Cap. S-3.1**

**AND**

**IN THE MATTER OF  
EXEMPTIONS FOR PRINCE EDWARD ISLAND CREDIT UNIONS**

**BLANKET ORDER 45-513**

**DEFINITIONS**

In this Blanket Order,

“**Act**” means the *Securities Act*, R.S.P.E.I. 1988, Cap. S-3.1;

“**Credit Unions Act**” means the *Credit Unions Act*, R.S.P.E.I. 1988, Cap. C-29.1;

“**credit union**” means a credit union that is regulated under the *Credit Unions Act*; and

“**equity**” means the equity level a credit union is required to maintain under Prince Edward Island Credit Union Deposit Insurance Corporation By-Law No. 5, *Standards of Sound Business and Financial Practices*, enacted pursuant to subsection 165(f) of the *Credit Unions Act*.

**BACKGROUND**

1. The Superintendent of Securities has the authority to make exemption orders under section 16 of the Act, including orders of general application.
2. The Superintendent has been advised by the Prince Edward Island Credit Union Deposit Insurance Corporation, that credit unions are required to maintain equity, in an amount not less than 5% of the total assets of the credit union.
3. The Superintendent has been advised by Prince Edward Island Credit Union Deposit Insurance Corporation, that certain credit unions may not be able to maintain a level of equity required without the issuance of non-membership shares.
4. Credit unions are unable to rely on the prospectus exemption in Local Rule 45-502 Exempt Distributions – Credit Unions, since the credit unions are issuing non-membership shares.
5. The Superintendent is of the opinion that it would not be prejudicial to the public interest to make the following order.

**IT IS ORDERED** pursuant to section 16(1) of the Act:

6. A credit union is exempt from the requirement to file a prospectus under section 94 of the Act for the distribution of a security if the credit union meets the following terms and conditions:
  - (a) the non-membership shares are being issued for the purpose of meeting equity requirements;
  - (b) the non-membership shares are non-redeemable for a period of time that shall not exceed five years;
  - (c) the credit union delivers a disclosure document (the “**Disclosure Document**”) to prospective purchasers of the non-membership shares which sets out:
    - (i) A description of the characteristics of the non-membership shares and specifies that these shares are:
      - (I) not insured or guaranteed by the Prince Edward Island Credit Union Deposit Insurance Corporation;
      - (II) only redeemable in very limited circumstances;
      - (III) non-transferrable; and
      - (IV) only available to members of the credit union.
    - (ii) A description of the risks associated with purchasing the non-membership shares;
    - (iii) The contractual rights of the purchaser to rescind the purchase and a description of the statutory rights of action for misrepresentation, in the form set out in **Appendix A**;
    - (iv) A warning about purchasing shares on the exempt market, in the form set out in **Appendix B**;
    - (v) A representation that there is no misrepresentations in the Disclosure Document, in the form set out in **Appendix C**; and
    - (vi) A certification by the credit union’s chief executive officer and chief financial officer (or individuals acting in that capacity), and at least 2 directors that the information provided is true and complete.

- (d) the credit union obtains a signed risk acknowledgement statement from each purchaser of the non-membership shares, in the form set out in **Appendix D**;
- (e) the maximum investment amount by each member purchaser is \$50,000;
- (f) the credit union promptly notifies investors of any material changes to the Disclosure Document;
- (g) the credit union is not paid a commission or other remuneration in connection with the distribution of the non-membership shares; and
- (h) the credit union must continue to be in compliance with the requirements under the *Credit Unions Act*.

7. This Blanket Order shall expire on April 14<sup>th</sup>, 2027.

DATED at Charlottetown, Prince Edward Island, this 14<sup>th</sup> day of April 2022.

STEVE DOWLING

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Steve Dowling  
Superintendent of Securities

## Appendix A

### Purchaser's rights

Purchasing this share gives you certain rights, some of which are described below. For information about your rights, you should consult a lawyer.

- **Two Day Cancellation Right** - You can cancel your agreement to purchase these non-membership shares. To do so, you must send a notice to the credit union by midnight on the 2nd business day after either of the following:
  - (a) the credit union received the completed Disclosure Statement.
  - (b) the day the credit union notified you of any amendment to the Disclosure Statement.
- **Statutory Rights of Action in the Event of a Misrepresentation** - If there is a misrepresentation in the Disclosure Statement or other amendments to the Disclosure Statement, you have a statutory right to sue for the following:
  - (a) the credit union to cancel your agreement to buy these shares;
  - (b) for damages against the credit union, every director of the credit union as of the date of Disclosure Statement and every person who signed the Disclosure Statement or any amendments to that document.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the shares.

If you intend to rely on the right to sue described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date of the transaction which gave rise to the cause of action. You must commence your action for damages within the earlier of one year after you first had knowledge of the facts giving rise to the cause of action, and 6 years after the date of the transaction that gave rise to the cause of action.

### Notification of intent to cancel purchase

To do so, send a notice to the credit union stating that you want to cancel your purchase. You must send the notice before midnight on the 2nd business day after you sign the Disclosure Statement or other amendments to the Disclosure Statement. You can send the notice by fax or email or deliver it in person to the credit union at its business address. Keep a copy of the notice for your records.

[address  
Facsimile number  
Email address]

## **Appendix B**

### **You are buying exempt market shares**

They are called exempt market shares because two parts of securities law do not apply to them. If the credit union wants to sell exempt market shares to you:

- the credit union does not have to give you a prospectus (a document that describes the investment in detail and gives you some legal protections), and
- the shares do not have to be sold by a person registered with the Superintendent.

### **You will receive an agreement**

Read the Disclosure Statement carefully because it has important information about the credit union and its shares. Keep the Disclosure Statement because you have rights based on it. Talk to a lawyer for details about these rights.

### **You will not receive advice**

You will not get professional advice about whether the investment is suitable for you. But you can still seek that advice from a registered adviser or registered dealer.

## Appendix C

**The Disclosure Document does not contain a misrepresentation.**

I certify, on behalf of the credit union, that the information provided in this Disclosure Document is true and complete.

Dated at \_\_\_\_\_, on \_\_\_\_\_ (date)

*[This certificate must be signed by the following persons:*

- *the chief executive officer;*
- *the chief financial officer;*
- *on behalf of the board of directors, any 2 directors who are authorized to sign, other than the foregoing.]*

## Appendix D

### *Risk Acknowledgement Statement*

I acknowledge that:

- This is a risky investment and I am investing entirely at my own risk.
- I could lose all the money I invest.
- I am not borrowing to invest in these shares.
- I have read and kept the Disclosure Statement provided to me by [credit union] and understand that no securities regulatory authority or regulator has evaluated or endorsed the merits of these shares or the disclosure in the Disclosure Statement.
- [Credit union] is not registered with a securities regulatory authority or regulator and will not assess whether this investment is suitable for me.
- I will not be able to sell these shares except in very limited circumstances. I may never be able to sell these shares.
- No one other than [credit union] has any obligation to repay my investment in these shares.
- My investment in shares issued by [credit union] does not require a prospectus which would describe the investment in detail and give me certain legal protections.
- I may receive little ongoing information about [credit union] and/or my investment.

**I acknowledge that this is a risky investment and that I could lose all the money I invest.**

\_\_\_\_\_  
Print – Name of Purchaser

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Purchaser