

## Legal update

### Stop the presses! Canadian securities regulators raise concerns about press releases and other promotional activities

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**December 2018**

**Corporate finance and securities**

**Corporate governance**

The Canadian Securities Administrators (CSA) have issued a notice regarding misleading promotional activities by issuers. The notice includes examples such as press releases, presentations, social media posts and other marketing materials that provide insufficient or unbalanced information or that include unsubstantiated claims about the issuer.

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#### Problematic promotional practices

Examples of potentially misleading promotional activities identified by the CSA include:

- describing early-stage plans with “unwarranted certainty,” or making unsupported predictions about growth of the market or future product demand;
- issuing multiple press releases that do not disclose any new material facts;
- compensating third parties for promotion through social media and investing blogs without disclosing the relationship between the issuer and third party;
- announcing a change of business, particularly in a trendy industry such as cannabis, cryptocurrency or blockchain, without a supporting business plan or comprehensive risk disclosure; and
- announcing a positive event such as a large acquisition but:
  - not filing the corresponding material contracts;
  - not disclosing the material conditions necessary to complete the transaction such as financing or due diligence; and/or
  - subsequently changing or cancelling the transaction with no announcement.

The CSA also provides industry-specific examples of potentially misleading promotional activities in the notice.

#### Top 10 ways to ensure you comply

- Provide sufficient and balanced information so as not to be misleading or inconsistent.

- Announce material changes in a factual and balanced way.
- Disclose unfavourable news just as promptly and completely as favourable news.
- Avoid exaggerated third-party reports and potentially misleading promotional commentary, do not cherry-pick analyst reports and prominently disclose when you pay for reports and articles.
- Ensure any person or company you engage in investor relations activities clearly and conspicuously discloses in all publications and oral statements that such information has been issued by or on your behalf.
- Disclose forward-looking information only if there is a reasonable basis for such information, identify it as being forward looking, state the factors or assumptions used to develop such information and provide appropriate cautions.
- Update any previously disclosed forward-looking information if something happens (or doesn't happen) that will likely cause actual results to differ materially.
- Ensure that material company information is not released on social media before being generally disclosed in a press release or other disclosure document, and do not (as an issuer) participate in, host or link to chat rooms or bulletin boards.
- Limit the number of people authorized to speak on behalf of the issuer to analysts, the media and investors.
- Establish written corporate disclosure and social media governance policies and establish appropriate board and/or senior management oversight of disclosures.

## Additional information

The CSA notice is available [here](#).

Refer also to our publication from March 2017: #needsimprovement: CSA releases report on social media disclosure practices by Canadian public companies [here](#).

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