

Chapter 1

Notices

1.1 Notices

1.1.1 Notice of Memorandum of Understanding for Oversight of CNSX Markets Inc. Between the Ontario Securities Commission and the British Columbia Securities Commission

**NOTICE OF MEMORANDUM OF UNDERSTANDING
FOR OVERSIGHT OF CNSX MARKETS INC.
BETWEEN THE ONTARIO SECURITIES COMMISSION AND
THE BRITISH COLUMBIA SECURITIES COMMISSION**

The Ontario Securities Commission (**OSC**) has entered into a Memorandum of Understanding (**MOU**) with the British Columbia Securities Commission (**BCSC**) concerning supervision of CNSX Markets Inc (**CSE**). The MOU outlines the manner in which the OSC and the BCSC will cooperate and coordinate their efforts in respect of the oversight of the CSE.

The MOU is subject to the approval of the Minister of Finance.

Questions may be referred to:

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**Memorandum of Understanding (MOU)
for Oversight of CNSX Markets Inc.**

Between

The Ontario Securities Commission (OSC)

and

**The British Columbia Securities Commission (BCSC)
(each a Regulator or, collectively, the Regulators)**

The Regulators hereby agree as follows:

1. Underlying Principles

(I) Scope

- (a) CNSX Markets Inc. (“**CSE**”) is recognized as an exchange under each of the *Securities Act* (Ontario) and *Securities Act* (British Columbia). Each of the Regulators has issued orders recognizing the CSE subject to terms and conditions.
- (b) This Memorandum of Understanding (“**MOU**”) outlines the manner in which the Regulators intend to cooperate and coordinate their efforts in respect of the oversight of the CSE.

(II) General Purpose and Objectives

- (a) The Regulators intend to fully cooperate and coordinate with each other in respect of the oversight of the CSE in the interest of fulfilling their respective regulatory mandates, particularly in the areas of investor protection and market integrity.
- (b) The cooperation and coordination by the Regulators under this MOU are intended to ensure that the following objectives are met:
 - (i) each Regulator can meet its respective regulatory mandate;
 - (ii) consistency in the overall oversight approach between the Regulators so that conflicting or incompatible oversight requirements and actions are avoided and oversight gaps are eliminated;
 - (iii) the oversight of the CSE is carried out efficiently and effectively, including that the burden imposed on the CSE under a multiple regulator system is reduced, and the duplication of efforts by the Regulators is minimized.

2. Cooperation between Regulators

- (a) The Regulators will cooperate and coordinate with each other in respect of the oversight of the CSE, including:
 - (i) general supervisory issues, including regulatory, oversight, or other related developments;
 - (ii) issues relevant to the operations, activities, and regulation of the CSE; and
 - (iii) any other areas relevant to overseeing CSE’s compliance with applicable securities laws and the terms and conditions of its recognition orders.
- (b) Coordination between Regulators may be achieved by:
 - (i) clearly defining each Regulator’s respective responsibilities, as set out in this MOU;
 - (ii) sharing information respecting the oversight of the CSE in a timely manner; and
 - (iii) harmonizing regulatory actions with respect to the CSE to the extent possible.

3. Oversight of the CSE

(I) Oversight Program Conducted by Regulators

- (a) Each of the Regulators will establish and conduct an oversight program (“**Oversight Program**”) in respect of the CSE.
- (b) The purpose of the Oversight Program is to ensure that the CSE is operating in compliance with applicable Canadian Securities Legislation and the terms and conditions of its recognition orders.
- (c) The Oversight Program will be risk-based and will include the following minimum components:
 - (i) review of information filed by the CSE pursuant to applicable securities laws, including the terms and conditions of the recognition orders issued by each of Regulators;
 - (ii) monitoring of the CSE’s compliance with applicable securities laws and the terms and conditions of the recognition orders issued by the Regulators;
 - (iii) approval or non-disapproval of changes to the Rules of CSE and other matters contemplated under applicable securities laws, in accordance with the process outlined in the recognition orders issued by the Regulators; and
 - (iv) periodic on-site reviews.
- (d) Each Regulator agrees to provide the resources necessary to review CSE’s compliance with applicable securities laws and terms and conditions of its recognition orders in a timely manner.
- (e) Each Regulator will retain discretion regarding the manner in which an Oversight Program is conducted.
- (f) Each Regulator may organize periodic meetings with the CSE to discuss oversight matters, which may include governance and risk management, listed issuer oversight, trading, rule proposals, approvals required under the recognition orders or applicable securities laws, the Canadian public venture market, operational or strategic trends and challenges, and any other issues. In preparation for these meetings, the Regulator’s staff will prepare and circulate a draft agenda to CSE staff, and will then circulate the final agenda and related materials.

(II) Review of proposed rule changes, proposed amendments to the CSE’s Form 21-101F1, and information submitted by the CSE

- (a) The Regulators acknowledge that the protocol as set out in the respective recognition orders establishes uniform procedures for the review and approval of all proposed rule changes, proposed F1 Amendments, and information submitted by the CSE.
- (b) Each Regulator agrees to review information submitted by the CSE in a timely manner and accordance with the timelines set out in the protocol of the respective recognition orders.
- (c) Each Regulator will follow its own process for the review or approval of all proposed rule changes, proposed amendments to the CSE’s Form 21-101F1 (“**F1 Amendments**”), and information submitted by the CSE as set out in the OSC and BCSC recognition orders and any additional reporting requirements requested of the CSE by either Regulator.
- (d) The Regulators agree to make best efforts to coordinate their review and approval of proposed rule changes, proposed F1 Amendments, and information submitted by the CSE.

(III) Information Sharing

- (a) Each Regulator will, upon request from the other Regulator, provide to that Regulator information concerning the CSE or their oversight activities in respect of the CSE within a reasonable period of time.
- (b) Without limiting the generality of the foregoing, information shared between the Regulators may include:
 - (i) filings and/or material changes related to the operations, business, services, activities, affairs, financial resources, governance, membership, systems, Rules, design or risk controls of the CSE;
 - (ii) results of any oversight activities, including assessments, audits or reviews;

- (iii) decisions, directives or orders or similar regulatory actions with respect to the CSE; and
 - (iv) any other information respecting the oversight of the CSE that a Regulator reasonably requires to discharge its respective regulatory mandate.
- (c) The sharing of any information between the Regulators is subject to applicable law. The Regulators will keep such information confidential to the extent permitted by applicable law and the information will be used by the Regulators only for oversight purposes or otherwise in connection with their respective statutory mandates and responsibilities.
- (d) Each Regulator will provide timely notice to the other Regulator of any proposed changes to legislative, regulatory or legal frameworks with respect to the CSE.

(IV) Coordination on Urgent Matters

- (a) A Regulator that identifies an Urgent Matter (defined as a particular issue or concern which requires urgent action or consideration by the Regulators) will immediately notify the other Regulator by telephone or e-mail, briefly describing the nature and the urgency of the matter.
- (b) Upon identifying or being informed of an Urgent Matter, the Regulators will immediately notify the CSE and organize and convene a teleconference to discuss the Urgent Matter.
- (c) At the initial teleconference, the Regulators and the CSE will discuss the Urgent Matter and possible responses.

4. Contact Persons

- (a) Each Regulator will designate contacts for the purposes of this MOU and shall communicate any updates in respect of the details of such contact persons.
- (b) Each Regulator will provide the CSE with key staff contacts.

5. Waiver

- (a) The provisions of this MOU may be waived by written mutual agreement of the Regulators, with the exception of Article 3, subsection (III)(c).

6. Amendments to this MOU

- (a) This MOU may be amended from time to time by mutual agreement of the Regulators. Any amendments must be in writing and approved by the duly authorized representatives of each Regulator. Any amendment to this MOU is subject to applicable Ministerial or Governmental approvals.
- (b) Any provincial or territorial securities regulatory authority having or soon to have recognized the CSE may become a party to this MOU by obtaining the written consent of the other Regulators. Upon obtaining the consent of the other Regulators, the authority will execute a counterpart of this MOU and provide an original copy of the counterpart to each of the other Regulators.

7. Escalation Process

- (a) Staff of each Regulators agree to act in good faith to resolve, among themselves any disputes or disagreements that arise between them.
- (b) In the event that disputes or disagreements cannot be resolved through discussions among staff, the disputes or disagreements will be escalated for resolution as follows:
 - (i) Within ten (10) business days of an acknowledgement by staff of a failure to resolve a dispute or disagreement, Staff will use their best efforts to arrange for senior staff representatives of the Regulators to discuss the issues and attempt to reach a consensus.
 - (ii) If, after discussions, senior staff representatives of the Regulators are unable to reach a consensus, Staff will, as soon as practicable, escalate the disagreement to the Chairs of the Regulators for discussion.

8. Withdrawal from the MOU

- (a) Either Regulator may withdraw from this MOU at any time upon giving the other Regulator at least ninety (90) days prior written notice. During the notice period, the Regulator wishing to withdraw from this MOU will continue to cooperate in accordance with this MOU.
- (b) A Regulator that withdraws from this MOU will continue to treat information that it obtained under this MOU in the manner prescribed by Article 3, subsection (III)(c).

9. Effective Date and Execution

- (a) This MOU will become effective on the date (the “**Effective Date**”) that all of the following requirements are met:
 - (i) the MOU is signed by both Regulators; and
 - (ii) all applicable Ministerial or governmental approvals are obtained and notice of such approval is provided to both Regulators.
- (b) This MOU may be executed and delivered by the Regulators in one or more counterparts, each of which when so executed and delivered will be deemed to be the original, and those counterparts will together constitute one and the same instrument.

IN WITNESS WHEREOF the duly authorized signatories of the Regulators below have signed this MOU to be effective on the Effective Date of the MOU.

“Grant Vingo”
Acting Chair and Chief Executive Officer
Ontario Securities Commission

“Brenda M. Leong”
Chair and Chief Executive Officer
British Columbia Securities Commission