

1.1.2 Notice of Memorandum of Understanding – Memorandum of Understanding Respecting the Oversight of Exchanges and Quotation and Trade Reporting Systems

NOTICE OF MEMORANDUM OF UNDERSTANDING

MEMORANDUM OF UNDERSTANDING RESPECTING THE OVERSIGHT OF EXCHANGES AND QUOTATION AND TRADE REPORTING SYSTEMS

The Commission is publishing an amended memorandum of understanding (MOU) between certain members of the Canadian Securities Administrators (CSA) respecting the oversight of exchanges and quotation and trade reporting systems.

The MOU, which first took effect in Ontario in November 2002, is being amended principally to add the Financial and Consumer Services Commission of New Brunswick (FCNB) as a party to the MOU.

The amended MOU is subject to the approval of the Minister of Finance for Ontario. The MOU was delivered to the Minister on June 23, 2020. Subject to the Minister's approval, the amended MOU will take effect on September 1, 2020.

The Commission is also publishing a revised List of Exchanges, Lead Regulators and Exempting Regulators in relation to the Memorandum of Understanding respecting the Oversight of Exchanges and Quotation and Trade Reporting Systems (List of Exchanges). The List of Exchanges identifies the exchanges and their associated Lead and Exempting Regulators for purposes of the MOU. The revised List of Exchanges reflects the exchanges and their associated Lead and Exempting Regulators as of September 1, 2020.

**Memorandum of Understanding
respecting the Oversight of Exchanges and Quotation and Trade Reporting Systems**

among:
Alberta Securities Commission (ASC)
Autorité des marchés financiers (AMF)
British Columbia Securities Commission (BCSC)
Financial and Consumer Affairs Authority of Saskatchewan (FAAA)
Financial and Consumer Services Commission of New Brunswick (FCNB)
Manitoba Securities Commission (MSC)
Ontario Securities Commission (OSC)

(each a Party, collectively the Parties)

The Parties agree as follows:

1. Underlying Principles

(a) Lead Regulator Model

- (i) Each recognized exchange (Exchange) and recognized quotation and trade reporting system (QTRS) subject to this Memorandum of Understanding (MOU) has a lead regulator (Lead Regulator) responsible for its oversight and one or more exempting regulators (Exempting Regulator).
- (ii) The Exempting Regulator of an Exchange or QTRS exempts it from recognition as an Exchange or QTRS on the basis that:
 - (A) the Exchange or QTRS is and will continue to be recognized by the Lead Regulator as an Exchange or QTRS;
 - (B) the Lead Regulator is responsible for conducting the regulatory oversight of the Exchange or QTRS; and
 - (C) the Lead Regulator will inform the Exempting Regulator of its oversight activities and the Exempting Regulator will have the opportunity to raise issues concerning the oversight of the Exchange or QTRS with the Lead Regulator in accordance with this MOU.
- (iii) The Lead Regulator is responsible for conducting an oversight program (the Oversight Program) of the Exchange or QTRS that will include the purpose and matters described in section 3.
- (iv) The Parties will act in good faith to resolve issues raised by any Exempting Regulator in connection with the Oversight Program carried out by the Lead Regulator.

(b) Scope

The terms of this MOU are applied by the Parties in respect of the oversight of an Exchange or QTRS identified on a list entitled "List of Exchanges, Lead Regulators and Exempting Regulators in relation to the Memorandum of Understanding respecting the Oversight of Exchanges and Quotation and Trade Reporting Systems" ("List of Exchanges"), published concurrently with this MOU by each Party. The List of Exchanges does not form part of this MOU. It may be amended from time to time and will be published by each Party after any such amendment.

(c) Previous Memorandum of Understanding

This MOU supersedes any prior Memorandum of Understanding about the Oversight of Exchanges and Quotation and Trade Reporting Systems among the ASC, Commission des valeurs mobilières du Québec, now the AMF, BCSC, MSC and OSC.

2. Definition

"Lead Regulator" means the Party that is designated on the List of Exchanges from time to time as being the Lead Regulator responsible for the oversight of a particular Exchange or QTRS by consensus of the Parties that have either recognized or exempted from recognition this Exchange or QTRS or are in the process of doing so.

3. Oversight Program

- (a) The purpose of the Oversight Program¹ is to ensure that each Exchange and QTRS meets appropriate standards for market operation and regulation based on the type of activities carried out by the Exchange or QTRS. Where applicable, those standards will include:
- (i) fair representation in corporate governance and rule-making;
 - (ii) effective management of conflicts of interests;
 - (iii) adequate ownership/control structure;
 - (iv) financial viability;
 - (v) sufficient resources to carry out market and regulatory functions;
 - (vi) fair access for market participants and issuers;
 - (vii) orderly markets through appropriate review of traded products, trading rules and financial requirements for market participants;
 - (viii) transparency through timely access to accurate information on orders and trades;
 - (ix) market integrity through the adoption of rules that are not contrary to the public interest, prohibit unfair trading practices, prevent market manipulation and customer and market abuses and promote just and equitable principles of trades;
 - (x) monitoring of the conduct of the market participants and enforcement of the rules and requirements governing such conduct;
 - (xi) proper identification and management of risks;
 - (xii) effective clearing and settlement arrangements and systems;
 - (xiii) information sharing and regulatory cooperation;
 - (xiv) appropriate listed or quoted company regulation;
 - (xv) adequate financial products and instruments development process;
 - (xvi) specific trading and position limits;
 - (xvii) appropriate inventory and stock delivery management procedures; and
 - (xviii) appropriate coordination regarding the market surveillance of the underlying securities.
- (b) The Lead Regulator will establish and conduct the Oversight Program. At a minimum, the Oversight Program will include the following:
- (i) Review of information filed by the Exchange or QTRS on critical financial and operational matters, risk management and significant changes to operations, including information filed under National Instrument 21-101 - Marketplace Operation, related to:
 - (A) corporate governance;
 - (B) rules;
 - (C) systems and operations;
 - (D) access;

¹ The matters outlined in the Oversight Program are intended to set out the minimum level of oversight exercised in respect of an Exchange or QTRS. The Lead Regulator may conduct additional review procedures.

- (E) listing criteria and/ or financial instrument development;
 - (F) fees;
 - (G) financial viability; and
 - (H) regulation.
- (ii) Review and approval, where applicable, of changes to Exchange or QTRS by-laws, rules, policies, and other similar instruments (Rules) under the procedures established by the Lead Regulator from time to time.
- (iii) Periodic oversight review of Exchange or QTRS functions, including to the extent applicable:
- (A) corporate finance policies: policies relating to minimum listing or quoting requirements, continuing listing or quoting requirements or tier maintenance requirements, sponsorship and continuous disclosure;
 - (B) trading halts, suspensions and de-listing procedures;
 - (C) co-ordination with the markets of the underlying securities;
 - (D) monitoring of trading and position limits;
 - (E) surveillance and enforcement: procedures for detection of non-compliance and resolution of outstanding issues;
 - (F) access: requirements for access to the facilities of the Exchange or QTRS and fair application of those requirements;
 - (G) information transparency: procedures for the dissemination of market information;
 - (H) corporate governance: corporate governance procedures, including policy and rule making process;
 - (I) risk management; and
 - (J) systems and technology.
- (c) The Lead Regulator will retain sole discretion regarding the manner in which the Oversight Program is carried out, including determining the order and timing of its oversight review of the functions under section 3(b)(iii). However, the Lead Regulator will perform the oversight reviews of these functions at least once every three years. Once it has obtained the necessary internal approval and when the final report of the oversight review performed under section 3(b)(iii) is sent to the Exchange or QTRS, the Lead Regulator will also provide a copy of the final report and any responses of the Exchange or QTRS to the report to each Exempting Regulator.
- (d) If issuers or parties that are directly affected by a decision of the Exchange or QTRS in the jurisdiction of an Exempting Regulator appeal that decision to the Lead Regulator or request a hearing and review of that decision by the Lead Regulator, the Lead Regulator will provide videoconferencing facilities or other electronic equipment as necessary and appropriate to permit and facilitate the participation of the parties in the proceedings in the jurisdiction of the Exempting Regulator. The Lead Regulator will also provide simultaneous translation facilities or other facilities necessary and appropriate to permit the participation of the parties in the proceedings in French or English, at their request.
- (e) The Lead Regulator will inform each Exempting Regulator in writing of any material changes in how it performs its obligations under this MOU.

4. Involvement of an Exempting Regulator

- (a) The Lead Regulator acknowledges that an Exempting Regulator may require that the Exchange or QTRS provide to that Exempting Regulator:
- (i) copies of information filed by the Exchange or QTRS pursuant to section 3(b)(i) at the same time that the Exchange or QTRS files the information with the Lead Regulator; and

- (ii) copies of all Rules that the Exchange or QTRS files with the Lead Regulator under the Lead Regulator's procedures referred to in section 3(b)(ii) at the same time that the Exchange or QTRS files the Rules with the Lead Regulator;
 - (iii) copies of all final Rules once approved by the Lead Regulator under the Lead Regulator's procedures referred to in section 3(b)(ii); and
 - (iv) in the specific context of an investigation by an Exempting Regulator and upon a specific request from that Exempting Regulator, information in writing about the marketplace participants, the shareholders or the market operations of the Exchange or QTRS.
- (b) If an Exempting Regulator advises the Lead Regulator that it has specific concerns regarding the operations of the Exchange or QTRS in the jurisdiction of the Exempting Regulator and requests that the Lead Regulator perform an oversight review of the Exchange or QTRS in that jurisdiction, the Lead Regulator may determine to conduct an oversight review of:
- (i) the office of the Exchange or QTRS in the jurisdiction of the Exempting Regulator; or
 - (ii) a function performed by an Exchange or QTRS office in that jurisdiction.

The Exempting Regulator may, as part of its request, ask that the Lead Regulator include staff of the Exempting Regulator in the Lead Regulator's oversight review. The Lead Regulator may, as a condition of performing the oversight review, request the assistance of staff of the Exempting Regulator in which case the Exempting Regulator will use its best efforts to provide this assistance.

- (c) If the Lead Regulator advises the Exempting Regulator that it cannot or will not conduct the oversight review referred to in section 4(b), the Exempting Regulator may conduct the oversight review without the participation of the Lead Regulator. In that case, the Exempting Regulator will provide copies of the results of the oversight review to the Lead Regulator at the same time it sends the results to the Exchange or QTRS.

5. Information Sharing

- (a) The Lead Regulator will, upon written request from an Exempting Regulator, provide or request the Exchange or QTRS to provide to the Exempting Regulator any information about the marketplace participants, the shareholders and the market operations of the Exchange or QTRS. This would include shareholder and participating organization lists, product and trading information and disciplinary decisions.
- (b) In addition, to the extent practicable and as appropriate in the particular circumstances, the Lead Regulator will inform the Exempting Regulators in advance of any material events, or material decisions taken either by the Lead Regulator or the Exchange or QTRS, that may have a significant impact on the operations or activities of the Exchange or QTRS.

6. Oversight Committee

- (a) An oversight committee will continue to have the mandate to act as a forum and venue for the discussion of issues, concerns and proposals related to the oversight of marketplaces by the Parties (Oversight Committee).
- (b) The Oversight Committee will include staff representatives from each of the Parties who have responsibility and/or expertise in the areas of marketplace oversight and market regulation.
- (c) The Oversight Committee will meet at least once annually in person and will conduct conference calls at least quarterly.
- (d) At least quarterly, the Parties will provide to the Oversight Committee a summary report on their oversight activities conducted during the period that will include a summary description of any material changes made to their oversight program, including the procedures for the review and approval of Exchange or QTRS Rules.
- (e) At least annually, the Oversight Committee will provide to the Canadian Securities Administrators a written report of the oversight activities of the committee members during the previous period.

7. Issues Forum

- (a) The Parties acknowledge that:

- (i) more than one Exchange or QTRS may file the same Rules to different Lead Regulators for review and approval at the same time;
 - (ii) one Exchange or QTRS may file a Rule to its Lead Regulator for review and approval that is the same as an existing Rule adopted by a different Exchange or QTRS with a different Lead Regulator; or
 - (iii) an Exempting Regulator may have material concerns regarding a Rule that the Exchange or QTRS has filed for review and approval with the Lead Regulator under the Lead Regulator's procedures referred to in section 3(b)(ii).
- (b) In the event the circumstances set out in section 7(a) arise, the Lead Regulators will act in good faith to resolve the issues or concerns raised by any of the parties involved in a dispute or disagreement in order to either achieve consistent results among the Lead Regulators or to address the concerns of the Exempting Regulator.
- (c) The Parties to this MOU will establish a committee of the Chairs or other senior executives of the parties involved (the "Issues Forum") that will attempt to reach a consensus between the parties on any issue in dispute or disagreement under section 7(a). The Issues Forum will make recommendations to the various parties. Staff of any of the parties involved in a dispute or disagreement may submit the issue in dispute or the matter causing the disagreement to the Issues Forum.
- (d) The Issues Forum will include the Chair or another senior executive of each Party involved in a dispute or disagreement under 7(a). For purposes of this section and if there are joint Lead Regulators of an Exchange or QTRS, the joint Lead Regulators of the Exchange or QTRS will be considered to be separate parties.

8. Waiver and Termination

- (a) The provisions of this MOU may be waived by mutual agreement of the Parties.
- (b) If the Lead Regulator or an Exempting Regulator of an Exchange or QTRS believes that another Party is not satisfactorily performing its obligations under this MOU, it may give written notice to the other Party stating that belief and providing particulars in reasonable detail of the alleged failure to perform. If the Party receiving the notice has not satisfied the notifying Party within two months of the delivery of the notice either that its performance is satisfactory or that it has taken or will take acceptable steps to rectify its performance, the notifying Party may by written notice to the other Party terminate this MOU as it relates to that Exchange or QTRS on a date not less than six months following delivery of the notice of termination. In that case, the notifying Party will send to the Exchange or QTRS a copy of its notice of termination at the same time it sends the notice to all the other Parties.
- (c) In the event any significant change to the ownership, structure or operations of an Exchange or QTRS affects the oversight of the Exchange or QTRS, a Lead Regulator or any Exempting Regulator may give written notice to the other Parties stating its concerns. If a resolution cannot be reached within two months of the delivery of the notice, the notifying Party may by written notice to the other Parties terminate this MOU as it relates to the Exchange or QTRS on a date not less than six months following delivery of the notice of termination. In that case, the notifying Party will send to the Exchange or QTRS a copy of its notice of termination at the same time it sends the notice to all the other Parties.
- (d) For purposes of this section and if applicable, the joint Lead Regulators of the Exchange or QTRS will be considered one party.

9. Amendments to and Withdrawal from this MOU

- (a) This MOU may be amended from time to time as mutually agreed upon by the Parties. Any amendments must be in writing and approved by the duly authorized representatives of each Party. Any amendment of this MOU is subject to Ministerial approval in Ontario and to Governmental approval in Québec according to the law. For clarity, the List of Exchanges does not form part of this MOU.
- (b) The Parties acknowledge that the securities regulators of any other jurisdiction where an Exchange or QTRS is recognized or exempted from recognition may become a Party to this MOU.
- (c) Each Party can, at any time, withdraw from this MOU on at least 90 days written notice to all other Parties.

10. Effective Date

This MOU comes into effect on September 1, 2020.

**List of Exchanges, Lead Regulators and Exempting Regulators
in relation to the
Memorandum of Understanding respecting the Oversight of Exchanges and
Quotation and Trade Reporting Systems
As of September 1, 2020**

Exchange – QTRS	Lead Regulator(s)	Exempting Regulator(s)
Alpha Exchange Inc.	<ul style="list-style-type: none"> • Ontario Securities Commission 	<ul style="list-style-type: none"> • Alberta Securities Commission • Autorité des marchés financiers • British Columbia Securities Commission • Manitoba Securities Commission • Financial and Consumer Affairs Authority of Saskatchewan
Bourse de Montréal Inc.	<ul style="list-style-type: none"> • Autorité des marchés financiers 	<ul style="list-style-type: none"> • Ontario Securities Commission
CNSX Markets Inc.	<ul style="list-style-type: none"> • British Columbia Securities Commission • Ontario Securities Commission 	<ul style="list-style-type: none"> • Alberta Securities Commission • Autorité des marchés financiers • Manitoba Securities Commission
ICE NGX Canada Inc.	<ul style="list-style-type: none"> • Alberta Securities Commission 	<ul style="list-style-type: none"> • Autorité des marchés financiers • Manitoba Securities Commission • Financial and Consumer Affairs Authority of Saskatchewan • Ontario Securities Commission
Nasdaq CXC Limited	<ul style="list-style-type: none"> • Ontario Securities Commission 	<ul style="list-style-type: none"> • Alberta Securities Commission • Autorité des marchés financiers • British Columbia Securities Commission • Manitoba Securities Commission • Financial and Consumer Affairs Authority of Saskatchewan • Financial and Consumer Services Commission of New Brunswick
Neo Exchange Inc.	<ul style="list-style-type: none"> • Ontario Securities Commission 	<ul style="list-style-type: none"> • Alberta Securities Commission • Autorité des marchés financiers • British Columbia Securities Commission • Financial and Consumer Affairs Authority of Saskatchewan • Financial and Consumer Services Commission of New Brunswick • Manitoba Securities Commission
TSX Inc.	<ul style="list-style-type: none"> • Ontario Securities Commission 	<ul style="list-style-type: none"> • Alberta Securities Commission • Autorité des marchés financiers • British Columbia Securities Commission

Notices

TSX Venture Exchange Inc.	<ul style="list-style-type: none">• Alberta Securities Commission• British Columbia Securities Commission	<ul style="list-style-type: none">• Autorité des marchés financiers• Manitoba Securities Commission• Ontario Securities Commission
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