

Innovation Functions Co-operation Agreement

Between

The Hong Kong Securities and Futures Commission

and

**The Ontario Securities
Commission**

**The Autorité des
marchés financiers
(Québec)**

**British Columbia Securities
Commission**

**The Alberta Securities
Commission**

**The Financial and
Consumer Affairs
Authority of Saskatchewan**

**The Manitoba Securities
Commission**

**The Financial and
Consumer Services
Commission (New
Brunswick)**

**The Nova Scotia
Securities
Commission**

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Innovation Functions Co-operation Agreement

1 Definitions

For the purposes of this Co-operation Agreement, unless the context requires otherwise:

- **"Authorisation"** means the process of licensing, registering, approving, authorising, granting exemptive relief, or otherwise bringing an entity under an Authority's regulatory ambit so that they are authorised to carry on business in providing a financial service or issuing a financial product in the relevant Authority's jurisdiction, and "Authorised" has a corresponding meaning;
- **"Authority"** means the Hong Kong Securities and Futures Commission (SFC) or a Canadian Authority and shall collectively be referred to as "the Authorities";
- **"Canadian Authority"** means a securities regulatory authority established in Canada under provincial or territorial statute, that is a signatory or has signed on to this Co-operation Agreement pursuant to Article 9 and is listed in Appendix A.;
- **"Criteria for Support"** means the criteria of a Referring Authority that an Innovator Business is required to meet before the Referring Authority refers the Innovator Business to a Receiving Authority;
- **"Innovation Function"** means the dedicated function established by an Authority to support innovation in financial services in their respective markets;
- **"Innovator Business"** means an innovative financial business that has been offered support from an Authority through its Innovation Function, or would qualify for such support;
- **"Receiving Authority"** means:
 - (a) Where the Referring Authority is the SFC, any Canadian Authority to which a referral is made under the agreement, or
 - (b) Where the Referring Authority is a Canadian Authority, the SFC;
- **"Referring Authority"** means the Authority that is referring an Innovator Business to the Receiving Authority; and
- **"Regulations"** means any securities acts, regulations, regulatory requirements or guidelines applicable in the jurisdiction of an Authority.

2 Introduction

2.1 The Authorities share a mutual desire to promote innovation in financial services in their respective markets. The Authorities have established Innovation Functions in order to do so. The Authorities believe that through co-operation with each other, they will be able to further the promotion of innovation in their respective markets.

- 2.2 The SFC established the Fintech Contact Point (FTCP) in March 2016 to enhance communication with businesses involved in the development and application of Fintech in Hong Kong. The purpose of the Fintech Contact Point is to facilitate the Fintech community's understanding of the current regulatory regime, and to enable the SFC to stay abreast of the development of Fintech in Hong Kong.
- 2.3 On February 23, 2017, Canadian securities regulatory authorities launched the CSA Regulatory Sandbox, an initiative that supports innovative businesses across Canada. The Regulatory Sandbox helps in developing an in-depth understanding of new securities-related business models that use technology solutions.

Support offered through the Innovation Functions

- 2.4 The support offered by the Authorities to Innovator Businesses through their Innovation Functions may include:
 - 2.4.1 A dedicated team and/or a dedicated contact for each Innovator Business;
 - 2.4.2 Help for Innovator Businesses to understand the Regulations in the relevant Authority's jurisdiction, and how they apply to their business and them;
 - 2.4.3 Assistance during the pre-Authorisation application phase to:
 - 2.4.3.1 Discuss the Authorisation application process and any Regulations issues that the Innovator Business has identified; and
 - 2.4.3.2 Ensure the Innovator Business understands the relevant Authority's Regulations and what it means for them.
 - 2.4.4 Support during the Authorisation process, including the allocation of Authority's staff who are knowledgeable about financial innovation in their respective markets, to consider the application.
 - 2.4.5 A dedicated contact person after an Innovator Business is Authorised.

3 Purpose

The purpose of this Co-operation Agreement is to provide a framework for co-operation and referrals between the Innovation Functions of the SFC and any Canadian Authority. The framework centres on a referral mechanism which will enable the Authorities to refer Innovator Businesses to their respective Innovation Functions. It also sets out how the Authorities plan to share and use information on innovation in their respective markets.

4 Principles

- 4.1 The Authorities intend to provide the fullest possible mutual assistance to one another within the terms of this Co-operation Agreement. This Co-operation Agreement shall be subject to the domestic laws and Regulations of each Authority and shall not modify or supersede any applicable laws and Regulations in force in, or applicable to, any such Authority's respective jurisdiction. This Co-operation Agreement sets forth a statement of intent and accordingly does not create any enforceable rights, and is not legally binding. This Co-operation Agreement is intended to complement, but not affect or alter the terms and conditions of any other multilateral or bilateral arrangements concluded between the Authorities or between the Authorities and third parties.

4.2 This Co-operation Agreement is a bilateral arrangement between each Canadian Authority and the SFC and should not be considered a bilateral agreement between any Canadian Authority.

5 Scope

Referral mechanism

- 5.1 The Authorities, through their Innovation Functions, will refer to each other Innovator Businesses that would like to operate in the other's jurisdiction.
- 5.2 Referrals will be made in writing, and shall include information demonstrating that the Innovator Business seeking to operate in the Receiving Authority's jurisdiction meets, or would meet, the Referring Authority's Criteria for Support.
- 5.3 The Criteria for Support should include, but shall not be limited to, the following:
- 5.3.1 The Innovator Business shall offer innovative financial products or services that benefit the consumer, investor and/or industry; and
 - 5.3.2 The Innovator Business shall demonstrate that they have conducted sufficient background research on the Receiving Authority's Regulations as they might apply to it.
- 5.4 Following referral, and provided the Innovator Business meets the Criteria for Support, the Receiving Authority's Innovation Function may offer support to the Innovator Business in accordance with paragraph 2.4 above.
- 5.5 The Referring Authority acknowledges that when a Receiving Authority provides assistance to an Innovator Business, the Receiving Authority is not expressing an opinion about whether an Innovator Business will ultimately meet the requirements for Authorisation in its jurisdiction.

Information sharing

- 5.6 The Authorities intend, subject to applicable domestic laws and Regulations, to:
- 5.6.1 Share information about innovations in financial services in their respective markets, where appropriate. This may include, but is not limited to:
 - 5.6.1.1 Emerging trends and developments (including use of new technologies); and
 - 5.6.1.2 Regulatory issues pertaining to innovation in financial services;
 - 5.6.2 Share further information on an Innovator Business which has been referred to a Receiving Authority for support through its Innovation Function by a Referring Authority (including the nature of the support to the Innovator Business by the Referring Authority); and
 - 5.6.3 Notify each other of any material changes to the other Authority's Criteria for Support.

6 Confidentiality & Permissible Uses

- 6.1 Any information disclosed by the SFC to a Canadian Authority or by a Canadian Authority to the SFC under paragraphs 5.1 to 5.6 should be treated by the other Authority as confidential information.

- 6.2 Information about an Innovator Business included in a referral under paragraphs 5.1 to 5.4 and shared under paragraph 5.6 should be sent to a Receiving Authority only if the Innovator Business consents to that disclosure in writing and provides such consent to both the SFC and to the Canadian Authority. Where the Receiving Authority is a Canadian Authority, the said consent should also include consent for the Receiving Authority to share such information with any other Canadian Authority, which may include sharing through the CSA Regulatory Sandbox, provided that such sharing is done only for the same purposes pursuant to which the Referring Authority shared the information with the Receiving Authority. Such consent can be withdrawn by the Innovator Business at any time.
- 6.3 A Receiving Authority should use information disclosed to it by a Referring Authority pursuant to this Co-operation Agreement only for the purpose for which the information was disclosed, unless the Innovator Business and the Referring Authority consents to other uses. For greater clarity, a Receiving Authority may use information about a referred Innovator Business for the purpose of providing support to the referred Innovator Business through the Receiving Authority's Innovation Function and to seek to ensure compliance with the domestic laws and Regulations of the Receiving Authority's jurisdiction.
- 6.4 If any Canadian Authority is required to disclose any information provided to it by the SFC or if the SFC is required to disclose any information provided to it by any Canadian Authority pursuant to a requirement of law, such Authority should notify the other Authority prior to complying with such a requirement and should assert all appropriate legal exemptions or privileges with respect to such information as may be available.

7 Term

- 7.1 This Co-operation Agreement takes effect from the date of execution for all parties, or on the date determined in accordance with each Authority's applicable legislation.
- 7.2 Each of the SFC or any Canadian Authority may terminate this Agreement by giving at least 30 days' written notice of termination to the other Authorities. If this Co-operation Agreement is terminated by one or more than one Canadian Authority, it will continue to have effect only as between the SFC and any other remaining Canadian Authority.
- 7.3 In the event of the termination of this Co-operation Agreement, information obtained under this Co-operation Agreement will continue to be treated in the manner set out under paragraphs 6.1 to 6.4.

8 Amendment

- 8.1 The Authorities may review the operation of this Co-operation Agreement and update its terms as required. The Authorities acknowledge that review may be required if there is a material change to the support offered by a Receiving Authority's Innovation Function to Innovator Businesses referred by a Referring Authority pursuant to paragraph 5.1 or to the Criteria for Support.
- 8.2 This Co-operation Agreement may be amended if all of the Authorities agree in writing to do so.

9 Additional Parties to the Agreement

Any other Canadian securities regulatory authority may become a party to this Co-operation Agreement by executing a counterpart hereof together with the SFC and providing notice to the other signatories which are parties to this Co-operation Agreement, pursuant to which their contact details shall be added to Appendix A.

Executed by the Authorities:

This Co-operation Agreement will be effective from the date of its signing by the Authorities or on the date determined in accordance with each Authority's applicable legislation.

For the Hong Kong Securities and Futures Commission

For the Ontario Securities Commission

Ashley Alder
CEO

Grant Vingoe
Chair and CEO

Date

Date

For the Autorité des marchés financiers
(Québec)

For the British Columbia Securities
Commission

Louis Morisset
President and CEO

Brenda Leong
Chair and CEO

Date

Date

For the Alberta Securities Commission

For the Financial and Consumer Affairs
Authority of Saskatchewan

Stan Magidson
Chair and CEO

Roger Sobotkiewicz
Chair and CEO

Date

Date

For the Manitoba Securities Commission

For the Financial and Consumer Services
Commission (New Brunswick)

David Cheop
Chair and CEO

Kevin Hoyt
CEO

Date

Date

For the Nova Scotia Securities Commission

Paul Radford
Chair

Date

Appendix A: Designated Innovation Functions Contact Persons

Securities and Futures Commission

Fintech Unit
Intermediaries Division
Securities and Futures Commission
54/F One Island East
18 Westlands Road
Quarry Bay, Hong Kong
fintech@sfc.hk

Autorité des marchés financiers (Québec)

Director, FinTech and Innovation
800, Square-Victoria, 22e étage
Montréal (Québec) H4Z 1G3
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With a copy of Notice of termination (paragraph 7.2) to Corporate Secretary and Executive Director, Legal Affairs
Email: secretariat@lautorite.qc.ca

Alberta Securities Commission

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Nova Scotia Securities Commission

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Ontario Securities Commission

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British Columbia Securities Commission

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