

**Memorandum of Understanding  
Regarding Oversight of [New Regco]**

**Among:**

**British Columbia Securities Commission**

**Alberta Securities Commission**

**Saskatchewan Financial Services Commission (Securities Division)**

**Manitoba Securities Commission**

**Ontario Securities Commission**

**Autorité des marchés financiers**

**Newfoundland and Labrador, Securities Division, Department of  
Government Services and Lands**

**Nova Scotia Securities Commission**

**New Brunswick Securities Commission**

(each a “Recognizing Regulator”)

The parties agree as follows:

**1. Underlying Principles**

*a. Recognition*

[New Regco] (“New Regco”) is recognized as a self-regulatory organization under applicable legislation by each of the Recognizing Regulators and is a regulation services provider pursuant to National Instrument 23-101 *Trading Rules*.

*b. Oversight Program*

To ensure effective oversight of New Regco’s performance of its self-regulatory activities and regulation services, the parties to this Memorandum of Understanding (“MOU”) have developed an oversight program (the “Oversight Program”) which includes:

- i. reviewing information filed by New Regco;
- ii. reviewing and approving new and amended rules, policies and other similar instruments (“Rules”) and by-laws of New Regco; and
- iii. performing periodic reviews of New Regco’s self-regulatory activities and regulation services.

The purpose of the Oversight Program is to ensure that New Regco is acting in accordance with its public interest mandate, specifically by complying with its terms and conditions of recognition.

## **2. Definitions**

“Approved Person” has the meaning attributed to that term in New Regco’s Rules, as amended from time to time.

“Member” has the meaning attributed to that term in New Regco’s By-law No. 1, as amended from time to time.

“Principal Regulator” means the Recognizing Regulator that is designated as such from time to time.<sup>1</sup>

## **3. General Provisions**

### *a. Oversight Committee*

An oversight committee will be established (the “Oversight Committee”) which will act as a forum and venue for the discussion of issues, concerns and proposals related to the oversight of New Regco.

The Oversight Committee will include staff representatives from each of the Recognizing Regulators.

The Oversight Committee will provide to the CSA Chairs an annual written report that will include a summary of all oversight activities during the previous period.

### *b. Staff Contact*

The Principal Regulator will provide New Regco with key staff contacts in each jurisdiction for the purposes of matters arising under this MOU or relating to oversight in general.

### *c. Status Meetings*

The Principal Regulator will organize quarterly conference calls and an annual in-person meeting of the Oversight Committee and New Regco staff. The purpose is to discuss matters relating to the oversight of New Regco, issues relating to the regulation of New Regco’s Members and other matters that are of interest to the Recognizing Regulators and New Regco. The Principal Regulator is also responsible for taking minutes of these calls and in-person meetings.

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<sup>1</sup> The OSC is the principal regulator for RS and the IDA.

#### **4. Reporting**

- a. Any comments of the staff of the Recognizing Regulators on any report filed by New Regco will be sent to the Principal Regulator. The Principal Regulator will request that New Regco respond to comments raised by the Recognizing Regulators and forward any response to the Recognizing Regulators.

#### **5. Review of By-laws and Rules**

The Recognizing Regulators have developed a Joint Rule Review Protocol (the “Protocol”) for coordinating the review and approval of New Regco by-laws and Rules. The Protocol is attached as Appendix “A” and may be amended from time to time.

#### **6. Oversight Reviews**

##### *a. Coordination of Oversight Reviews*

- i. The Recognizing Regulators will use their best efforts to carry out reviews of New Regco offices at least once every three years. A Recognizing Regulator may choose to participate in the review of a New Regco office depending on the functions carried out in that office, or may choose to rely on another Recognizing Regulator for the review of a New Regco office. In cases where a Recognizing Regulator chooses not to review the New Regco office in its jurisdiction, the other Recognizing Regulators may conduct a review of that New Regco office. Those Recognizing Regulators who participate in a review are considered to be “Reviewing Regulators” for the purpose of oversight reviews.
- ii. The Reviewing Regulators agree to coordinate their reviews of New Regco’s offices by conducting their reviews at the same time and evaluating New Regco using a uniform review program and uniform performance benchmarks.
- iii. The Principal Regulator will develop a review program in consultation with the Reviewing Regulators.
- iv. For each New Regco office, a Reviewing Regulator will be designated as the Responsible Regulator who has overall responsibility for the review of that office. In particular, the Responsible Regulator will ensure that the review is appropriately staffed, will draft the review report for that office taking into account findings and comments of the Reviewing Regulators of that office, and will report on the status and results of the review of that office.
- v. The Principal Regulator will also arrange periodic conference calls of the Reviewing Regulators during the course of a review, the purpose of which is to discuss the findings at different New Regco offices and to ensure consistent recommendations for similar findings.

*b. Review of Draft Reports and Issuance of Final Reports and Follow-Up Plans*

At the conclusion of a review, staff of the Principal Regulator and the Reviewing Regulators will use their best efforts to follow the procedures set out below, taking into account language translation needs, when applicable:

- i. Each Responsible Regulator will provide to all Reviewing Regulators a draft report on the results of the review of its New Regco office. The Reviewing Regulators will agree in advance on the date on which the draft reports should be completed.
- ii. The Principal Regulator will review the draft reports for consistency of findings and recommendations and provide any needed comments to the Responsible Regulators within 10 business days of receipt of all the draft reports.
- iii. The Responsible Regulators will review the comments and make appropriate revisions to their reports, taking into consideration comments from the relevant Reviewing Regulators, and forward their revised draft reports to the Principal Regulator within 10 business days of receipt of the Principal Regulator's comments.
- iv. Within 10 business days of receipt of all the revised draft reports, the Principal Regulator will forward the draft reports on each office to New Regco for it to confirm factual accuracy.
- v. New Regco will review the draft reports for factual accuracy and respond to all the Reviewing Regulators with comments within 15 business days of receipt of the draft reports.
- vi. The Responsible Regulators will consider New Regco's comments and revise their reports as necessary, and will forward a copy of their final reports to the Principal Regulator within 20 business days of receiving New Regco's comments.
- vii. The Principal Regulator will combine the final reports on each New Regco office into a consolidated report and prepare an executive summary to the consolidated report. The Principal Regulator will forward the consolidated report to the Reviewing Regulators for their review within 10 business days of receipt of all the final reports.
- viii. The Reviewing Regulators will provide to the Principal Regulator any comments on the consolidated report within 10 business days of receipt of the consolidated report.
- ix. The Principal Regulator will review the comments, make any appropriate changes to the consolidated report, and forward the consolidated report to New Regco for a formal response with copies to the Reviewing Regulators, within 10 business days of receipt of the Reviewing Regulators' comments.
- x. New Regco will use its best efforts to respond to the consolidated report within 20 business days of receipt of the report. A copy of its response will be sent to all the Reviewing Regulators.

- xi. The Responsible Regulator will review New Regco's response, develop a follow-up plan for the applicable New Regco office, and forward its follow-up plan to the Principal Regulator, within 20 business days of receipt of New Regco's response.
- xii. The Principal Regulator will provide the final consolidated report, together with New Regco's response and the follow-up plan for each New Regco office, to the CSA Chairs and New Regco once each Reviewing Regulator has obtained the necessary internal approval.

*c. Interim Reviews*

Although the Principal Regulator will co-ordinate periodic reviews as described above, each Recognizing Regulator retains the ability to perform a review of New Regco to deal with significant and/or local issues that require immediate attention and that would be best dealt with through a review of a New Regco office. The Recognizing Regulator desiring to perform an interim review of New Regco will provide prior notice of the interim review to the Oversight Committee.

**7. Effective Date**

This MOU comes into effect on ■, 2008 in Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario and Saskatchewan. In Quebec, this MOU comes into effect on the date the AMF executes it.

**Appendix “A”**

**Join Rule Review Protocol**