

# **Innovation Functions Co-operation Agreement**

**Between**

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

**the 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**

**and**

**the Australian Securities and Investments Commission**

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## Innovation Functions Co-operation Agreement

### Recitals

Whereas innovative financial businesses are not constrained by national borders;

Whereas considering the above it is in the best interest of regulators to share views and exchange information in connection with the activities of these businesses to evaluate market trends and regulatory issues pertaining thereto;

Whereas many regulators have already entered into Co-operation Agreements to foster innovation in financial services in their respective markets;

Whereas, on November 2, 2016, Australian Securities and Investments Commission (“ASIC”) and the Ontario Securities Commission (“OSC”) concluded a co-operation agreement to foster innovation in financial services in their markets and agreed on a mutual referral system which will see the regulators provide assistance to innovative businesses that wish to expand Australian operations into Ontario, or vice versa (the “OSC Agreement”);

Whereas the OSC Agreement is also aimed at facilitating information sharing between the regulators on emerging market trends and regulatory issues pertaining to new business models;

Whereas since the signature of the OSC Agreement, the Canadian Securities Administrators (“CSA”), composed of all the Canadian securities regulatory authorities from each of the 10 Provinces and 3 Territories, launched a Regulatory Sandbox (the “CSA Regulatory Sandbox”), an initiative that supports businesses seeking to offer innovative products, services and applications, i.e., an “Innovation Function” within the meaning of the OSC Agreement;

Whereas it is in the best interest of any CSA member to enter into a Co-operation Agreement with ASIC that takes into account dedicated functions and teams established by the CSA, building on the OSC Agreement with ASIC, to foster innovation in financial services in their respective markets and across Canada.

The Authorities agree to the following:

#### 1. Definitions

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

**"Authorisation"** means the process of licensing, registering, approving, authorising, exempting or otherwise bringing an entity under either 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 ASIC or the Canadian Authority (and collectively, the "Authorities");

**"Canadian Authority"** means a securities regulatory authority established in Canada under provincial or territorial statute, that is a signatory to this Co-operation Agreement (and collectively, the "Canadian Authorities");

**"CSA"** means the Canadian Securities Administrators, a body comprised of securities regulators from each of Canada's 10 provinces and 3 territories primarily responsible for developing a harmonized approach to securities regulation across the country.

**"Criteria for Support"** means the criteria of a Referring Authority that an Innovator Business is required to meet before the Referring Authority will refer the Innovator Business to a Receiving Authority;

**"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;

**"Innovation Function"** means the dedicated function established in the Authorities to promote innovation in financial services in their respective markets, and for the Canadian Authorities, includes the functions a Canadian Authority has established to support the CSA Regulatory Sandbox;

**"Receiving Authority"** means:

- (a) Where the Referring Authority is ASIC, any Canadian Authority to which a referral is made under the agreement; or
- (b) Where the Referral Authority is a Canadian Authority, ASIC;

**"Referring Authority"** means the Authority that is referring an Innovator Business to the Receiving Authority; and

**"Regulations"** means any regulation, regulatory requirement 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. In March 2015, ASIC announced that it would establish an online Innovation Hub to assist innovative Fintech businesses in navigating ASIC's regulatory system. Through its Innovation Hub, ASIC engages with the Fintech community, provides assistance to innovative Fintech start-ups and liaises with Fintech experts through ASIC's Digital Finance Advisory Committee.

- 2.3. On February 23, 2017, the CSA launched the CSA Regulatory Sandbox, an initiative that supports innovative businesses across Canada. The CSA 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 team and/or a 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 regulatory issues that the Innovator Business has identified; and
    - 2.4.3.2. Ensure the Innovator Business understands the relevant Authority's regulatory regime and what it means for them.
  - 2.4.4. Support during the Authorisation process, including the allocation of Authorisation staff who are knowledgeable about financial innovation in their respective markets.
  - 2.4.5. A dedicated contact person after an Innovator Business is Authorised, as and when circumstances require it.

### **3. Purpose**

- 3.1. The purpose of this Innovation Function Co-operation Agreement is to provide a framework for co-operation and referrals between the Innovation Functions of ASIC and any Canadian Authority. The framework centres on a referral mechanism which will enable the Authorities to refer Innovator Businesses between 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 or regulatory requirements in force in, or applicable to, any such Authority's respective jurisdictions. 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 ASIC and should not be considered a bilateral agreement between any Canadian Authority.

## **5. Scope of Assistance (Referrals & Information Sharing)**

### 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 should 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 the following:
  - 5.3.1. The Innovator Business should offer innovative financial products or services that benefit the financial consumer, investor and/or industry;
  - 5.3.2. The Innovator Business should demonstrate that it has conducted sufficient background research on Regulations as they might apply to it; and
- 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 undertake, 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 market trends and developments; and
    - 5.6.1.2 Regulatory issues pertaining to innovation in financial services.
  - 5.6.2 share further information on Innovator Businesses which have 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 pursuant to paragraph 2.4).

- 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 ASIC to a Canadian Authority or by a Canadian Authority to ASIC under paragraph 5.6 and any information contained in a referral under paragraphs 5.1 to 5.4, 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 ASIC and Canadian Authority.
- 6.3. A Canadian Authority that has received information about a referred Innovator Business under paragraphs 5.1 to 5.4 will not disclose that information to other Canadian Authorities unless the referred Innovator Business has consented, in writing, to that disclosure.
- 6.4. A Receiving Authority should disclose or use information about a referred Innovator Business only for the purpose of providing support to the referred Innovator Business through the Receiving Authority's Innovation Function and ensuring compliance with the law of the Receiving Authority's jurisdiction.
- 6.5. If any Canadian Authority is required to disclose any information provided to it by ASIC or if ASIC 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 and counterparts**

- 7.1. This Co-operation Agreement may be executed by the Authorities in counterparts. Each counterpart is deemed to be an original of this Co-operation Agreement and together constitute one agreement.
- 7.2. This Co-operation Agreement takes effect for ASIC and a Canadian Authority, on the later of:
  - 7.2.1 date that is the latest date of execution; and,
  - 7.2.2 if a Canadian Authority needs permissions or other enabling actions to give effect to this Co-operation Agreement, on the date those permissions or other enabling actions occur.

- 7.3. For an Authority that becomes a party to this Co-operation Agreement under section 9, this Co-operation Agreement takes effect for ASIC and that Authority on the later of
  - 7.3.1 The latest date of execution of the counterpart referred to in section 9; and
  - 7.3.2 If the Canadian Authority needs permissions or other enabling actions to give effect to this Co-operation Agreement, on the date those permissions or other enabling actions occur.
- 7.4 If an effective date is determined under clause 7.2.2 or 7.3.2 above, the relevant Canadian Authority undertakes to notify ASIC of that date as soon as practicable.
- 7.5 ASIC or a Canadian Authority may, at any time and for any reason, terminate this Co-operation Agreement on at least 30 days written notice to the other Authority. Upon such notification of termination from a Canadian Authority, the Agreement shall continue to have effect as between ASIC and the remaining Canadian Authorities. In the event of termination of the Agreement by ASIC, the Agreement shall then be terminated between all the Authorities.
- 7.6 In the event of the termination of this Co-operation Agreement between ASIC and a Canadian Authority, information obtained under this Co-operation Agreement will continue to be treated in the manner set out under paragraph 6.

## **8 Amendment**

- 8.1. The Authorities will 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 an Innovator Business referred by a Referring Authority pursuant to paragraph section 5.1. or the Authority's Criteria for Support.
- 8.2. This Co-operation Agreement may be amended if each Authority agrees in writing to do so.

## **9 Additional Parties to the Agreement**

- 9.1. Any other Canadian securities regulatory authority may become a party to this Co-operation Agreement by executing a counterpart hereof together with ASIC and providing notice to the other signatories which are parties to this Co-operation Agreement.



**Executed by the Authorities:**

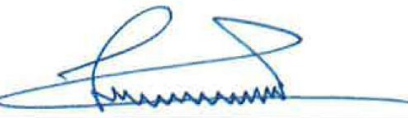
This Co-operation Agreement will be effective from the date of its signing by the Authorities or on the date determined in accordance with each Authority's applicable legislation.

Australian Securities and Investments  
Commission

  
\_\_\_\_\_  
John Price  
Commissioner


11/12/2017  
\_\_\_\_\_  
Date

Autorité des marchés financiers (Québec)

  
\_\_\_\_\_  
Louis Morisset  
President and CEO

06/12/17  
\_\_\_\_\_  
Date

British Columbia Securities Commission

  
\_\_\_\_\_  
Name :

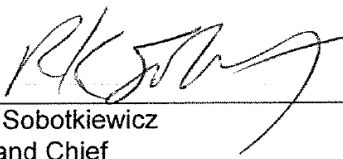
10/31/17  
\_\_\_\_\_  
Date

Alberta Securities Commission

  
\_\_\_\_\_  
Name: Stan Magidson, Chair  
and CEO

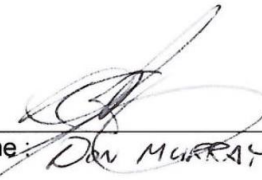
30/10/17  
\_\_\_\_\_  
Date

Financial and Consumer Affairs  
Authority of Saskatchewan

  
\_\_\_\_\_  
Roger Sobotkiewicz  
Chair and Chief  
Executive Office


November 15, 2017  
\_\_\_\_\_  
Date

Manitoba Securities Commission

  
\_\_\_\_\_  
Name: Don MURRAY, CEO

Oct. 24 / 17  
\_\_\_\_\_  
Date

Nova Scotia Securities Commission

  
Name: PAUL RANSOM CHAIR

OCTOBER 25, 2017  
Date :

Financial and Consumer Services  
Commission (New Brunswick)

  
Name: R. HANCOX, CEO

20 November 2017  
Date :

## Appendix 1: Authority-wide Contact Details

### **Australian Securities and Investments Commission**

International Cooperation Requests  
Level 5, 100 Market Street  
Sydney NSW 2000  
Australia  
Email: [international@asic.gov.au](mailto:international@asic.gov.au)  
Copy to: innovationhub@asic.gov.au

### **British Columbia Securities Commission**

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### **Alberta Securities Commission**

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### **Financial & Consumer Services Commission (New Brunswick)**

Deputy Director, Securities Division  
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