

**MEMORANDUM OF UNDERSTANDING REGARDING OVERSIGHT OF MARKET
REGULATION SERVICES INC.**

BETWEEN:

ALBERTA SECURITIES COMMISSION (the “ASC”)

-and-

BRITISH COLUMBIA SECURITIES COMMISSION (the “BCSC”)

-and-

COMMISSION DES VALEURS MOBILIERES DU QUEBEC (the “CVMQ”)

-and-

MANITOBA SECURITIES COMMISSION (the “MSC”)

-and-

ONTARIO SECURITIES COMMISSION (the “OSC”)

(also referred to collectively as the “Commissions”)

The parties agree as follows:

1. Underlying Principles

- 1.1 Market Regulation Services Inc. (“RS Inc.”) is recognized as a self-regulatory organization under applicable securities legislation and is a regulation services provider pursuant to National Instrument 23-101 Trading Rules.
- 1.2 RS Inc. will provide regulation services to marketplaces that retain RS Inc. as a regulation services provider.
- 1.3 As a means of performing oversight of these functions effectively, an oversight program (the “Oversight Program”) has been developed that will include reviewing and approving

new and amended rules, policies and other similar instruments (“Rules”) of RS Inc., reviewing information filed by RS Inc. and performing examinations of RS Inc.’s regulation services.

- 1.4 The purpose of the Oversight Program is to ensure that RS Inc. meets appropriate standards for regulation. These standards include:
 - 1.4.1 fair access to marketplaces;
 - 1.4.2 fair representation of marketplaces in corporate governance;
 - 1.4.3 systems and financial capacity to carry out prescribed regulatory functions;
 - 1.4.4 market integrity through the adoption of rules that prohibit unfair trading practices and monitoring and enforcing these rules; and
 - 1.4.5 compliance with the terms and conditions of the recognition of RS Inc. and related undertakings.
- 1.5 Each of the Commissions that have recognized RS Inc. as a self-regulatory organization under their legislation is a recognizing regulator (a “Recognizing Regulator”).
- 1.6 The parties agree that the OSC is the principal regulator (the “Principal Regulator”) responsible for coordinating the Oversight Program of RS Inc. which will include the matters described in Part 2.

2. Oversight Program

- 2.1 An Oversight Program will be established which will include, at a minimum, periodic examinations of regulation functions, review and approval of changes to RS Inc. Rules, and review of information filed by RS Inc.
- 2.2 Examinations of RS Inc.
 - 2.2.1 The Principal Regulator is responsible for coordinating with the other Recognizing Regulators periodic examinations of the functions carried out by RS Inc.
 - 2.2.2 The Principal Regulator will develop an examination program in consultation with staff of the other Recognizing Regulators. The Principal Regulator will be responsible for coordinating adequate staffing for an examination, drafting reports and reporting to the other Recognizing Regulators on the status and results of an examination. Depending on the functions carried out by RS Inc. in a particular office, staff of the other Recognizing Regulators may take an active role in carrying out the examination.
 - 2.2.3 At the conclusion of an examination, staff of the Principal Regulator will

coordinate the drafting of a report with staff of the other Recognizing Regulators who took an active role in carrying out the examination and send the draft report to all Recognizing Regulators for comment. Any Recognizing Regulator that has comments will send its comments to the Principal Regulator within 14 days of receipt of the draft report, with copies to the other Recognizing Regulators.

2.2.4 The Principal Regulator will forward a copy of the draft report to RS Inc. RS Inc. will review the draft report and, within 10 days of receipt, provide its comments to the Principal Regulator, with copies to the other Recognizing Regulators. The Principal Regulator and the Recognizing Regulators will consider the comments of RS Inc. and the Principal Regulator will revise the report as necessary.

2.2.5 The Principal Regulator will forward the final examination report to RS Inc. for a response within 21 days. A copy of the report will also be forwarded to the Canadian Securities Administrators (CSA) Chairs. The Principal Regulator will review the response of RS Inc. and coordinate a follow-up plan with the other Recognizing Regulators, if necessary. The Principal Regulator will continue to regularly update the other Recognizing Regulators on the implementation of any follow-up plan and any other action taken.

2.3 Rule Review

2.3.1 RS Inc. will be responsible for filing all Rules with each Recognizing Regulator on the same day.

2.3.2 In order to provide greater consistency and co-operation and to make the process more efficient, the Commissions have developed a joint rule protocol for coordinating the review and approval of Rules. The joint rule protocol is attached as Appendix A and may be amended from time to time.

2.3.3 The parties agree that the OSC will act as Principal Regulator for the purpose of approving Rules.

2.3.4 The Principal Regulator will review each Rule that RS Inc. submits for approval.

2.4 Information filed by RS Inc.

2.4.1 RS Inc. will be responsible for filing with each Recognizing Regulator the information set out in Appendix B, as amended from time to time.

2.4.2 Any comments of the Recognizing Regulators about the information filed by RS Inc. will be sent to the Principal Regulator.

2.4.3 The Principal Regulator will request that RS Inc. respond to comments raised by the Recognizing Regulators, if necessary, and forward any response from RS Inc. to

the Recognizing Regulators.

3. Reporting Obligations

- 3.1 Set out in Appendix C, as amended from time to time, are the reporting requirements applicable to RS Inc. RS Inc. will be responsible for reporting to each Recognizing Regulator.
- 3.2 Any comments of the Recognizing Regulators on the reports described in this section will be sent to the Principal Regulator.
- 3.3 The Principal Regulator will request that RS Inc. respond to comments raised by the Recognizing Regulators, if necessary, and forward any response from RS Inc. to the Recognizing Regulators.

4. Status Meetings

- 4.1 In order to coordinate the Oversight Program, the Principal Regulator will organize quarterly conference calls with the other Recognizing Regulators and with RS Inc. staff to discuss upcoming policy, rule or operational changes at RS Inc. and the status of approval of changes by the Recognizing Regulators.

5. Oversight Committee

- 5.1 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 RS Inc.
- 5.2 The Oversight Committee will include staff representatives from each of the Recognizing Regulators. The Oversight Committee will meet at least once annually and will conduct conference calls at least quarterly.
- 5.3 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.

6. Effective Date

The MOU comes into effect on May 1, 2002 in Alberta, British Columbia, Ontario and Manitoba. In Québec, the MOU comes into effect on the date the CVMQ executes the MOU.

Alberta Securities Commission

Ontario Securities Commission

Per: _____

Per: _____

Title: _____

Title: _____

British Columbia Securities Commission

Manitoba Securities Commission

Per: _____

Per: _____

Title: _____

Title: _____

Commission des valeurs mobilières du Québec

Per: _____

Title: _____