

ADDENDUM NO 1 TO THE INNOVATION FUNCTIONS CO-OPERATION AGREEMENT ENTERED INTO BETWEEN THE AUTORITÉ DES MARCHÉS FINANCIERS (QUÉBEC), 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 FINANCIAL CONDUCT AUTHORITY (FCA).

BETWEEN: THE AUTORITÉ DES MARCHÉS FINANCIERS (QUÉBEC)

AND: THE BRITISH COLUMBIA SECURITIES COMMISSION

AND: THE ALBERTA SECURITIES COMMISSION;

AND: THE FINANCIAL AND CONSUMER AFFAIRS AUTHORITY OF SASKATCHEWAN

AND: THE MANITOBA SECURITIES COMMISSION

AND: THE FINANCIAL AND CONSUMER SERVICES COMMISSION (NEW BRUNSWICK)

AND: THE NOVA SCOTIA SECURITIES COMMISSION

AND: THE FINANCIAL CONDUCT AUTHORITY (FCA)

- A.** The Parties concluded an Innovation Functions Co-operation Agreement, a copy of which is herein attached as Schedule « A » (hereinafter the « Initial Agreement »);
- B.** The Parties herein wish to modify the Initial Agreement.

THE PARTIES AGREE AS FOLLOWS:

**SECTION 1
EFFECTIVE DATE**

1.1 This Addendum shall be effective as of the effective date of the Initial Agreement.

**SECTION 2
MODIFICATION**

2.1 Article 6.3 of the Initial Agreement is deleted and hereby replaced by the following:

“6.3 A Receiving Authority should share and 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 as

allowed by the law of the Receiving Authority's jurisdiction unless the Referring Authority consents to other uses.”

SECTION 3

INITIAL AGREEMENT IS MAINTAIN

- 3.1** Except as herein provided for, this Addendum may not be interpreted in any way as modifying the terms and conditions of the parties under the Initial Agreement, all the other terms and conditions under the Initial Agreement remain unchanged.
- 3.2** The expressions, terms and words used herein have the same meaning than their attribution in the Initial Agreement.

Executed by the Authorities:

The Financial Conduct Authority (FCA)

The Autorité des Marchés Financiers
(Québec)

(s) Andrew Bailey

(s) Louis Morisset

Andrew Bailey
CEO

Louis Morisset
President and CEO

April 14, 2019

February 25, 2019

Date

Date

The British Columbia Securities
Commission

The Alberta Securities Commission

(s) Brenda M. Leong

(s) Stan Magidson

Branda M. Leong
Chair and CEO

Stan Magidson
Chair and CEO

February 12, 2019

Date

Date

The Financial and Consumer Affairs
Authority of Saskatchewan

(s) Roger Sobotkiewicz

Roger Sobotkiewicz

January 30, 2019

Date

The Manitoba Securities Commission

(s) David Cheop

David Cheop
Chair and CEO

January 28, 2019

Date

The Financial and Consumer Services
Commission (New Brunswick)

(s) Rick Hancox

Rick Hancox
CEO

February 14, 2019

Date :

The Nova Scotia Securities
Commission

(s) Paul E. Radford

Paul E. Radford
Chair and CEO

February 20, 2019

Date :

Schedule « A »

Innovation Functions Co-operation Agreement

Innovation Functions Co-operation Agreement

Between

Canada

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

United Kingdom

The Financial Conduct Authority (FCA)

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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 February 22, 2017, the Financial Conduct Authority ("FCA") 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 UK 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 ("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 the FCA that takes into account dedicated functions and teams established by the CSA, building on the OSC Agreement with the FCA, 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, granting exemptive relief, 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 the FCA 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;

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

"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. The FCA launched "Project Innovate" in October 2014, with the objective of encouraging innovation in financial services in the interests of consumers by supporting innovator businesses with a range of services. This is closely tied to the FCA's objective of promoting effective competition in the interest of consumers.
- 2.3. On February 23, 2017, all the 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 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
 - 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 Functions Co-operation Agreement is to provide a framework for co-operation and referrals between the Innovation Functions of the FCA 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 the FCA 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 the FCA to a Canadian Authority or by a Canadian Authority to the FCA under paragraphs 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 the FCA and to the Canadian Authority. The said consent would apply automatically to all Canadian Authorities participating in the Innovation Function. The consent can be withdrawn by the Innovator Business at any time.
- 6.3. A Receiving Authority should share and 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 as allowed by the law of the Receiving Authority's jurisdiction unless the Referring Authority consents to other uses.
- 6.4. If any Canadian Authority is required to disclose any information provided to it by the FCA or if the FCA 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. For an Authority that becomes a party to this Co-operation Agreement under section 9, this Co-operation Agreement takes effect for the FCA and that Authority on the date of execution of the counterpart referred to in section 9.
- 7.2 If this Co-operation Agreement is terminated by one or more of the Canadian Authorities, it will continue to have effect as between the FCA and the remaining Canadian Authorities until it is terminated by the FCA or all remaining Canadian Authorities, by giving at least 30 days' written notice of termination to the other 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 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 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 the FCA 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.

For the Financial Conduct Authority

For the Autorité des marchés financiers
(Québec)

(s) Andrew Bailey

Andrew Bailey
CEO

(s) Louis Morisset

Louis Morisset
President and CEO

April 14, 2019

Date

January 12, 2018

Date

British Columbia Securities
Commission

For the Alberta Securities Commission

(s) Brenda M. Leong

Name: Brenda M. Leong
Chair and CEO

(s) Stan Magidson

Name: Stan Magidson
Chair and CEO

November 29, 2017

Date

December 11, 2017

Date

For the Financial and Consumer
Affairs Authority of Saskatchewan

For the Manitoba Securities
Commission

(s) Roger Sobotkiewicz

Name: Roger Sobotkiewicz

(s) Don Murray

Name: Don Murray
Chair and CEO

Date

November 27, 2017

Date

For the Financial Consumer Services
Commission (New Brunswick)

For the Nova Scotia Securities
Commission

(s) Rick Hancox

Name: Rick Hancox
CEO

(s) Paul E. Radford

Name: Chair and CEO

December 8, 2017

Date

December 6, 2017

Date

Appendix 1: Authority-wide Contact Details

Financial Conduct Authority

Head of Department, Innovate
Financial Conduct Authority
25 The North Colonnade
London
E14 5HS
United Kingdom

British Columbia Securities Commission

BCSC Tech Team
701 West Georgia Street
P.O. Bx 10142 Pacific Centre
Vancouver (British Columbia) V7Y 1L2
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Email : TechTeam@bcsc.bc.ca
Copy to: COMMSEC@bcsc.bc.ca

Financial and Consumer Affairs Authority of Saskatchewan

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Nova Scotia Securities Commission

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Autorité des marchés financiers (Québec)

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Manitoba Securities Commission

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Financial & Consumer Services Commission (New Brunswick)

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