

Cooperative Capital Markets Regulatory System

Memorandum of Agreement on the Cooperative Capital Markets Regulatory System and Consultation on the Cooperative Legislation

The provincial Ministers responsible for securities regulation in British Columbia, Ontario, Saskatchewan, New Brunswick, and Prince Edward Island, and the Minister of Finance Canada have signed a Memorandum of Agreement setting out the terms and conditions to establish a Cooperative Capital Markets Regulatory System. Together, they renew their invitation to the Ministers responsible for securities regulation in all other provinces and territories to participate in the Cooperative System.

The Memorandum of Agreement formalizes the key features of the Cooperative System as set out in the Amended Agreement in Principle announced on July 9, 2014. Key features of the Cooperative System include:

- The Cooperative System will have a common regulator, the Capital Markets Regulatory Authority (the Authority) administering a single set of regulations designed to protect investors, foster efficient capital markets and manage systemic risk.
- Accountability to the legislative bodies of participating jurisdictions and oversight of the Cooperative System will be through a Council of Ministers comprising Ministers responsible for securities regulation in each provincial and territorial participating jurisdiction and the federal Minister of Finance.
- The Authority will be directed by an expert board of directors appointed by the Council of Ministers, based on recommendations from a nominating committee whose members are independent of the governments represented by the Council of Ministers. Directors will be independent, have relevant capital markets-related expertise and be broadly representative of the regions of Canada.
- The Authority will have a Regulatory Division responsible for the policy, regulatory operations, advisory services and enforcement functions of the Authority.
- A Chief Regulator will serve as the chief executive officer of the Regulatory Division.
- The Authority will have an adjudicative tribunal appointed by the Council of Ministers, based on recommendations from a nominating committee whose members are independent of the governments represented by the Council of Ministers. Adjudicators will be independent and will have capital markets-related and adjudicative expertise and will adjudicate enforcement and other administrative proceedings.
- The nominating committees for the expert board of directors and the adjudicative tribunal will include representation from both major and other participating jurisdictions.
- The processes for nominating and appointing directors and adjudicators will be merit-based and in accordance with the highest standards of corporate governance.
- The Regulatory Division will have Deputy Chief Regulators based in each of British Columbia and Ontario, as well as Alberta and Quebec should they choose to participate. There will also be two regional Deputy Chief Regulators to represent other participating jurisdictions initially based in Saskatchewan and New Brunswick.

- The Authority will have a regulatory office located in every participating province. The organizational design of the Authority will be guided by common principles including: each office should have staff, expertise and resources that are commensurate with the capital markets activity and regulatory and enforcement demands of the participating province, and each regulatory office should continue to provide the services that it does today with local decision-making authority within common standards. The regulatory offices will deliver consistent regulation in a way that is responsive to the interests and sensitivities of Canada's regions and market sectors.
- Each regulatory office will be managed by a director to coordinate the delivery of regulatory functions that are responsive to the needs of local market participants and investors, and identify local issues for consideration in the development and application of national policies.
- The regulatory offices will contribute to policy development and provide insights into the needs, interests, and perspectives of the local regulatory offices, investors, market participants, and other stakeholders in their regions.
- A single, simplified fee structure will be designed to allow the self-funding of the Authority and will not impose unnecessary or disproportionate costs on market participants.
- Services agreements will be entered into to integrate existing securities regulatory entities or functions of certain participating provinces and territories into the Authority.
- The Authority will consider requests to accommodate provincial economic development initiatives, where they do not adversely affect the fundamental principles of the Cooperative System or affect market participants in other jurisdictions.
- The federal government will provide transitional funding to those provinces and territories that will forego net revenue as a result of transitioning to the Cooperative System.

Appended to the Memorandum of Agreement are the consultation drafts of the proposed provincial and federal legislation which are being released for public comment for 60 days until November 7, 2014. The key legislation includes:

- Consultation draft uniform provincial legislation, known as the provincial *Capital Markets Act* (PCMA), which updates and modernizes current provincial securities legislation, retains key components, and introduces new elements to promote flexibility within a robust regulatory framework. The PCMA will be proposed for legislative adoption by each participating province and territory.
- Consultation draft complementary federal legislation, known as the *Capital Markets Stability Act* (CMSA), addresses criminal matters and matters relating to systemic risk in national capital markets and national data collection. The CMSA will be proposed for adoption by Parliament.

The Authority will administer both the provincial and federal legislation and a single set of regulations under authority delegated by each participating jurisdiction.