

**MEMORANDUM OF UNDERSTANDING  
CONCERNING CONSULTATION, COOPERATION AND THE EXCHANGE OF INFORMATION  
BETWEEN THE ONTARIO SECURITIES COMMISSION AND  
THE CANADIAN PUBLIC ACCOUNTABILITY BOARD**

**The Parties agree as follows**

**ARTICLE ONE  
UNDERLYING PRINCIPLES**

1. The Ontario Securities Commission (the "OSC") is responsible for the regulation of the capital markets in Ontario. It has a dual mandate to provide protection to investors and to foster fair and efficient capital markets and confidence in capital markets. The OSC has developed requirements for timely and accurate public disclosure of information by Reporting Issuers who raise money from Ontario investors. These requirements obligate Reporting Issuers to have their financial statements audited by a Public Accounting Firm that is a member of, and subject to inspection by, the Canadian Public Accountability Board ("CPAB").
2. The mandate of CPAB is to contribute to public confidence in the integrity of financial reporting by public companies by maintaining a register of Public Accounting Firms that audit Reporting Issuers and to oversee the audit of the financial statements of Reporting Issuers. CPAB's authority to carry out its inspection and audit oversight program in Ontario, is set out in the *Canadian Public Accountability Board Act (Ontario), 2006* (the "CPAB Act").
3. The OSC and CPAB recognize the overlap between their respective mandates and acknowledge the significance of working with each other to promote higher quality auditing and investor confidence in the financial reporting of Reporting Issuers in Ontario.
4. In order to carry out their mandates effectively, the OSC and CPAB require access to highly confidential information from Public Accounting Firms and Reporting Issuers.
5. The OSC and CPAB recognise that it is in the public interest that they have access to such confidential information and, that the confidentiality of that information be maintained.
6. CPAB recognizes that the obligations of the OSC under this Memorandum of Understanding ("MOU") to keep information confidential do not in any way restrict the OSC's ability to use the information in connection with a confidential investigation, including disclosure to a person being examined who is under a confidentiality obligation, and CPAB recognizes further that the OSC's confidentiality obligations are subject to the legal duty of the OSC to make disclosure in connection with a proceeding commenced or

proposed to be commenced by the OSC under the Securities Act or an examination of a witness, including a witness summoned as part of an investigation under the Securities Act.

7. The OSC and CPAB have therefore entered into this MOU regarding mutual assistance and the exchange of information on a confidential basis to assist each organization in fulfilling its respective mandate.

## **ARTICLE TWO DEFINITIONS**

8. For the purpose of this MOU:

**"Accounting Principles"** has the same meaning as in National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*;

**"Authority"** means:

- (a) The Canadian Public Accountability Board (CPAB), a corporation without share capital incorporated under *the Canada Corporations Act* by letters patent dated April 15, 2003; or
- (b) The Ontario Securities Commission (OSC), a corporation continued under *the Securities Act, R.S.O. 1990*;

(collectively, the "Authorities")

**"Confidential Information"** means information that has been reasonably identified as confidential by the supplying Authority, and

- (a) is not information that is, at the time of disclosure, or has become, part of the public domain, or
- (b) is not the same information that the receiving Authority obtained from a party other than the supplying Authority,

**"CPAB's Rules"** means the rules governing CPAB's inspections of Participating Audit Firms as prescribed by CPAB under its by-laws;

**"Law"** means any law, regulation, order, or regulatory rules or requirement applicable in Canada;

**"Non-Confidential Information"** means information in the possession of either Authority that is not Confidential Information or has ceased to be Confidential Information;

**“Person” or “Persons”** means a natural person, legal entity, partnership or unincorporated association;

**“Public Accounting Firm”** means a sole proprietorship, partnership, corporation, or other legal entity engaged in the business of providing services as public accountants;

**“Ontario Securities Law”** and **“Reporting Issuer”** each have the same meaning as in the *Securities Act* (Ontario), (the “Securities Act”);

**“Designated Professional”**, **“Generally Accepted Auditing Standards”** or **“GAAS”**, **“Participating Audit Firm”** and **“Professional Standards”** each have the same meaning as in the CPAB Act.

### **ARTICLE THREE INTENT OF MOU**

9. This MOU is a statement of intent to consult, cooperate and exchange information in connection with the inspection, supervision, investigation and oversight of Public Accounting Firms and Reporting Issuers in a manner consistent with and permitted by the Law that governs the Authorities. This cooperation has been and will continue to be primarily achieved through ongoing informal discussions and consultation, supplemented when necessary, by more in-depth cooperation. The provisions of this MOU are intended to support such informal communication, as well as to facilitate the exchange of information where desirable, subject to applicable Law.
10. The Authorities recognise that it is in the public interest that the OSC and CPAB obtain access to confidential information from the other Authority in a timely manner and that, subject to Section 6, the confidentiality of information provided by the Authorities be maintained.

### **ARTICLE FOUR SCOPE OF CONSULTATION, COOPERATION AND EXCHANGE OF INFORMATION**

11. The Authorities will, within the framework of this MOU, cooperate to promote compliance with their respective missions and mandates.
12. CPAB will share Non-Confidential Information and, subject to Article Six, Confidential Information, and provide assistance to the OSC in obtaining and interpreting such information, which includes, without limitation:
  - a. Notice and particulars of a situation where CPAB has identified, or becomes aware of a violation, or a series of violations, of Professional Standards or CPAB’s Rules at a Participating Audit Firm, relating to an audit or audits of one or more Reporting

Issuers performed by a Participating Audit Firm, which violation, or series of violations, creates a heightened risk to the investing public.

- b. Notice and particulars of any restriction or sanction CPAB has imposed on, or removed from, any Participating Audit Firm.
  - c. Notice and particulars of any requirement CPAB has imposed on, or removed from, any Participating Audit Firm.
  - d. Notice of situations in which CPAB has required a Reporting Issuer to seek the views of the Commission regarding a matter in question.
  - e. Information, if it becomes known to CPAB in the course of its inspection or investigation activities, that a Reporting Issuer will be:
    - i. re – filing annual or interim financial statements,
    - ii. re-stating or potentially restating financial information for comparative periods in annual or interim financial statements for reasons other than the retrospective application of a change in accounting standard or policy or a new accounting standard.
  - f. Notice CPAB has terminated the status of any audit firm as a Participating Audit Firm because of the failure of such firm to comply with the provisions of CPAB's Participation Agreement and the particulars of the failure.
  - g. Any anonymous tip received by CPAB that, in CPAB's judgement, suggests a Reporting Issuer may have materially misstated its financial statements, or otherwise breached Ontario Securities Law.
  - h. Information CPAB may have about a Participating Audit Firm or Firms, or a Reporting Issuer or Issuers, which CPAB, in its judgment believes should be brought to the attention of the OSC.
13. CPAB will share Non-Confidential Information and, subject to Article Six, Confidential Information, and provide assistance to the OSC in obtaining and interpreting such information, regarding CPAB's general strategic plans for inspections, the general results of inspecting Participating Audit Firms or Reporting Issuer audit files, and related issues that may be relevant to assessing compliance with Ontario Securities Law. Such information includes, without limitation, notice of any targeted reviews of Participating Audit Firms or Reporting Issuer audit files resulting from CPAB's risk analysis; a targeted review being a review which is not part of CPAB's annual review process.
14. The Authorities will consult regularly at the staff level regarding the following areas of common interest relating to risk issues and day to day regulatory matters, subject to Article Six:
- a. Risk assessment processes;
  - b. Analyzing areas of high risk relating to particular industries, or Reporting Issuers, with significant operations in foreign jurisdictions;

- c. Analyzing and sharing information on the OSC's continuous disclosure review focus areas relating to the application of Generally Accepted Auditing Standards or the application of International Financial Reporting Standards (IFRS) in the financial statements of Reporting Issuers;
  - d. Analyzing and sharing information relating to the OSC's results of the continuous disclosure review focus areas described in (c);
  - e. International developments in accounting and auditing standards; and
  - f. Any other areas of mutual interest.
15. To supplement informal consultations, the OSC will share Non-Confidential and, subject to Article Six, Confidential Information, and provide assistance to CPAB in interpreting such information, relevant to CPAB's mandate. Such information includes without limitation:
- a. Notice and particulars of a situation where the OSC has identified, or becomes aware of a potential violation of Professional Standards or CPAB's Rules at a Participating Audit Firm, relating to an audit of a Reporting Issuer performed by a Participating Audit Firm, which potential violation creates a heightened risk to the investing public;
  - b. Particulars of any restatement of the annual financial statements of a Reporting Issuer as a result of a continuous disclosure, or issue-oriented, review by the OSC;
  - c. Advance notice of issue-oriented continuous disclosure reviews that may result in the request of information from Participating Audit Firms; and
  - d. Any anonymous tip received by the OSC that suggests a Designated Professional or Participating Audit Firm has not performed sufficient procedures to support an opinion in an auditor's report that accompanies a Reporting Issuer's financial statements filed in accordance with Ontario Securities Law.
  - e. Information the OSC may have about a Participating Audit Firm or Firms, or a Reporting Issuer or Issuers, which the OSC, in its judgment believes should be brought to the attention of CPAB.
16. If the OSC provides CPAB with information under Section 15 of the MOU, CPAB will inform the OSC whether any review or examination of a Designated Professional or Participating Audit Firm is being or will be performed by CPAB in light of the information provided. If a review or examination is performed, CPAB will advise the OSC, if it identifies any potential breach of Ontario Securities Law.

**ARTICLE FIVE  
PERMISSIBLE USES OF INFORMATION**

17. Either Authority may use Confidential Information or Non-Confidential Information obtained under this MOU for the purpose of carrying out their respective mandates.

**ARTICLE SIX  
CONFIDENTIALITY OF INFORMATION AND ONWARD SHARING**

18. Except for disclosures in accordance with this MOU, including disclosures in the course of permissible uses of information under Article Five, and except as provided in Section 6, each Authority will maintain the confidentiality of Confidential Information shared under this MOU, requests made under this MOU, the contents of such requests, and any other matters arising under this MOU.
19. To the fullest extent permitted by Law, one Authority will notify the other Authority of any legally enforceable demand for Confidential Information furnished under this MOU and prior to compliance with the demand, the Authority from which the information was demanded will assert all appropriate legal exemptions or privileges with respect to such information as may be available.
20. Except as otherwise provided under this Article and subject to Section 6, Confidential Information may not be disclosed by either Authority to third parties unless each Authority has provided the other with its written consent to such disclosure. Third parties shall include foreign securities or financial regulatory authorities. If consent is not obtained from the Authority, the Authorities will consult to discuss the reasons for withholding approval of such use and the circumstances, if any, under which the intended use by the Authority might be allowed.
21. Subject to section 22, when either Authority intends to share Confidential Information under this MOU, the other Authority will confirm that it will treat this information as highly confidential and that it will protect it to the fullest extent permitted by Law.
22. The OSC has made a determination under section 153 of the Securities Act that information received by the OSC from CPAB under paragraph 12(a) of this agreement shall be maintained in confidence. This determination shall not apply to information received under paragraph 12(a) after the date that is three years following the date the MOU becomes effective, unless the OSC makes another determination with respect to such information.
23. Where the OSC intends to share Confidential Information with another securities or financial regulatory authority in Canada, the OSC shall provide that authority with CPAB's general description of the nature of the Confidential Information and particulars of the

prejudice that could arise from its release. The OSC will not share the information unless, prior to receiving the Confidential Information from the OSC, the receiving authority shall provide the OSC and CPAB with its written assurance that:

- a. it has taken appropriate steps to protect the Confidential Information from disclosure under that jurisdiction's access to information legislation;
- b. without restricting the receiving authority's ability to use or constraining its ability to disclose the information as described in Section 6 (if the section were read by substituting the OSC with the name of the receiving authority), the receiving authority will maintain the confidentiality of the Confidential Information and will not disclose the Confidential Information to third parties unless CPAB has provided the receiving authority with its written consent to such disclosure; and
- c. it will notify the OSC and CPAB of any legally enforceable demand for Confidential Information prior to compliance with the demand, and shall assert all appropriate legal exemptions or privileges with respect to such information as may be available.

#### **ARTICLE SEVEN COSTS**

24. The Authorities will consult with one another in matters relating to specific requests made under this MOU that may involve substantial cost. If it appears that responding to a request for assistance will involve substantial costs being incurred by the requested Authority, the Authorities will consider the establishment of a cost-sharing arrangement before responding to the request.

#### **ARTICLE EIGHT**

25. The Authorities will review after 3 years following the date of execution of the MOU, and may at any other time agree to review, the functioning and effectiveness of this MOU with a view, among other things, to modifying it as appropriate should that be considered necessary or helpful to the fulfillment of each Authority's respective mandate. This MOU may not be amended without the written consent of each of the Authorities.

**ARTICLE NINE  
TERMINATION**

26. Unless otherwise agreed to by the Authorities in advance of termination, this MOU will terminate on the earlier of (a) the expiration of 30 days after the date either Authority gives written notice to the other Authority of its intention to terminate same, and (b) 3 years following the date of execution of the MOU. Cooperation will continue with respect to all matters on which assistance was sought under the MOU, until the date of termination, unless the Authority seeking assistance terminates the matter for which assistance was requested. Article Six will survive the termination of the MOU.

Executed by the Authorities and effective as of this 27<sup>th</sup> day of November, 2013:

Canadian Public Accountability Board



**Brian Hunt**

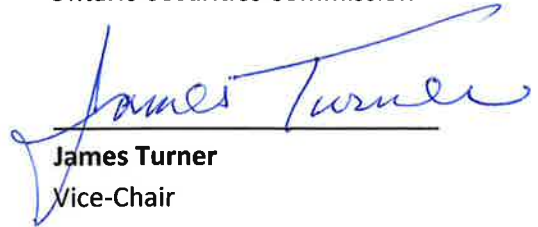
Chief Executive Officer

Canadian Public Accountability Board

150 York Street, Suite 900, Box 90

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Ontario Securities Commission



**James Turner**

Vice-Chair

Ontario Securities Commission

20 Queen Street West, 22<sup>nd</sup> Floor

Toronto, Ontario M5H 3S8



**APPENDIX A  
CONTACTS**

The Authorities may send any communication, request or give notice under this MOU by fax, email or courier to the other Authority at the following address:

**ONTARIO SECURITIES COMMISSION (OSC)**

20 Queen Street West, 19<sup>th</sup> Floor  
Toronto, Ontario  
M5H 3S8

Attention: Cameron McInnis or the Chief Accountant  
Office of the Chief Accountant  
Telephone: (416) 593 3675  
Fax: (416) 593 8177  
Email: cmcinnis@osc.gov.on.ca

**CANADIAN PUBLIC ACCOUNTABILITY BOARD (CPAB)**

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