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Quebec Cybersecurity Innovation Program



Applicant's Guide



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A) ABOUT THE FRAMEWORK AND CREATION OF THE QUEBEC CYBERSECURITY INNOVATION PROGRAM (QCIP)

The fight against cyberattacks has become one of the great challenges of the 21st century as we strive to ensure the security of Quebecers, their institutions and businesses. The province has undertaken to drive cybersecurity innovation across Quebec through a series of initiatives, including the launch of a strategic and mobilizing program. This program is focused on growing, creating or retaining SMBs that can develop cybersecurity solutions while assuring the attraction of large companies. The program also aims to rally Quebec's cybersecurity sector around structuring and innovative technology projects in order to heighten responsiveness to opportunities worldwide and to meet the enormous challenges of cybersecurity while favouring partnerships among major companies, SMBs, universities and research and technology transfer centres. The initiators of the program, representing total investments of \$68-million, have set themselves a goal of creating 400 jobs.

B) WHAT IS THE QUEBEC CYBERSECURITY INNOVATION PROGRAM?

The Quebec Cybersecurity Innovation Program (QCIP) is a three-year strategic mobilization project, launching in 2019. It provides financial support through non-repayable contributions. The objectives pursued are as follows:

- The creation of jobs in the cybersecurity industry through the implementation of capital projects by participating companies working closely with economic partners in the sector.
- Marketing new cybersecurity products, processes and services that will position companies and assist in their expansion through value chain integration.
- Implementation of projects aimed at solving shared problems in the cybersecurity industry and which will stand the sector in good stead.
- Bringing support to projects within a collaborative ecosystem that brings together the private sector and public resources dedicated to economic development.
- Making strategic choices to bolster the Quebec cybersecurity industry's technological leadership.
- Developing supply chains that integrate SMBs and leading local companies.
- Increasing R&D spending.
- Getting the research community involved.
- Mobilizing Quebec SMBs.

C) WHO MAY APPLY?

The applicant must be a private, for-profit enterprise and have been active in Quebec for at least one year¹. Each partner² in the project must provide a copy of a Revenu Québec certificate attesting that the partner has produced all statements and reports required by Quebec taxation laws and has no outstanding account with Revenu Québec by virtue of these laws.

D) WHAT TYPE OF PROJECT IS ELIGIBLE?

- **A project carried out entirely in Quebec.**
- A project representing an advance in at least one of the nine (9) defining domains of cybersecurity :
 1. Security and risk management
 2. Asset security
 3. Security architecture and engineering
 4. Communications and network security
 5. Identity and access management
 6. Security assessment and testing
 7. Operations security
 8. Software development security
 9. Privacy and personal data protection
- And a cybersecurity capital project with specific economic development goals in many of the following areas :
 - Collaborative projects demonstrating technological leadership in research and development (R&D), demonstration projects, development of production techniques, etc.
 - Development of new cybersecurity products, solutions and processes.
 - Creative marketing, innovative commercialization and rapid response to changes in the e-commerce environment.
 - Growth in a business cluster.
 - Twinning of small businesses and strategic partners.
 - Integration of leading, Quebec-owned companies into the supply chain.
 - Access to innovation, specialized technical services and cutting-edge equipment.

¹ Given special government permission, a Quebec municipality investing in a project, as well as a private, for-profit company active in Quebec for at least one year, may also be Partners in a project.

² Definition of “Partner” under our agreement with the government: a private, for-profit company that has been active in Quebec for at least one year and is applying for a QCIP contribution.

E) PROJECT ASSESSMENT CRITERIA

The project assessment criteria approved by the ministère de l'Économie et de l'Innovation were designed with four (4) strategic objectives in mind:

1. To drive cybersecurity innovation (30 points).
2. To stimulate the Quebec economy by creating a true industry (35 points).
3. To create a true industry (35 points).
4. To support strategic actions that contribute to the development of the cybersecurity ecosystem (15 bonus points).

The assessment criteria regarding the goal of driving cybersecurity innovation are as follows:

- The percentage of the budget earmarked for R&D and the likelihood that the project will help advance a research platform.
- The likelihood that the project will lead to the development of new products, services, solutions and processes.
- Involvement of and collaboration with academia and public research centres.

The assessment criteria regarding the goal of stimulating the Quebec economy are as follows:

- Job creation³.
- The likelihood that any product, service, solution or process developed in the course of carrying out the project will be sold through the project.
- Steps taken to increase speed-to-market.
- Favorable financial and economic outcomes for project partners and suppliers.

The assessment criteria regarding the goal of creating a true industry are as follows:

- Creation of collaborations⁴ with other Quebec-based suppliers of cybersecurity products, services and solutions. The number of new partnerships with SMBs will be considered.
- Integration of Quebec-based cybersecurity suppliers into major-company supply chains.
- Resolution of industry-wide issues in the Quebec-based cybersecurity industry.

The assessment criteria regarding bonus points for supporting strategic actions that contribute to the development of the cybersecurity ecosystem are as follows:

- Development of a skilled cybersecurity workforce for the long term.

³ The term Job is defined as gainful professional activity which a person occupies or seeks to occupy. Equivalent to full-time.

⁴ Possible collaborations among Quebec-based suppliers, associations, not-for-profits, universities and academics involved in the QCIP project but that are not applying for a financial contribution.

- Improvement of protection for individuals and organizations.
- Mobilization of the cybersecurity industry through collaboration with Quebec SMBs not currently partnered in the QCIP.
- Creation of a business.
- Contribution to the development of Quebec's cybersecurity ecosystem through any other creative and original means or action.

*****IMPORTANT*** For multi-phased projects, it is important that the QCIP project application form include a description of each phase of the project as the selection committee will assess the project only on the basis of the items described and not on the basis of items planned for a subsequent phase of the project.**

F) WHAT EXPENDITURES ARE ELIGIBLE?

- For partners, only those expenditures incurred in carrying out activities in Quebec as part of a QCIP project are eligible.
- Salaries paid to Quebec residents for work directly attributable to the QCIP and qualifying for a 43% supplement to cover benefits, together with overhead, management and administration costs.
- Salaries paid to Ontario residents working in Quebec for work directly attributable to the QCIP and qualifying for a 43% supplement to cover benefits, together with overhead, management and administration costs, without exceeding 5% of the Value of the QCIP.
- Cost of studies examining various matters (e.g. markets, processes, technologies, acquisition of patents or certifications, costs and timelines) and preparation of designs and specifications, without exceeding 5% of the Value of the QCIP.
- The costs of bringing foreign experts to Quebec, without exceeding 5% of the Value of the QCIP.
- Acquisition of equipment from non-affiliated firms, including specialized software tools, whose eligible costs are determined in accordance with accounting principles for calculating annual depreciation costs, as well as the purchase of raw materials. The cumulative value of the acquisition of equipment and the purchase of raw materials from outside Quebec is limited to 25% of the Value of the QCIP.
- Leasing of equipment for a period of time not exceeding the timeframe of the QCIP, including the costs of installing, removing and returning such equipment, with the exception, in these cases, of costs related to leasehold improvements or to a permanent infrastructure.
- Costs of intellectual property protection.
- Licensing and maintenance fees charged by a non-affiliated firm or organization for the duration of the QCIP.
- Travel expenses within guidelines set out by the Conseil du Trésor du Québec (Quebec Treasury Board) in its *Directive sur les frais remboursables lors d'un déplacement et autres frais inhérents*, found on the Board's website⁵, without exceeding 5% of the Value of the QCIP.

⁵GOVERNMENT OF QUEBEC, treasury board (May 21, 2019) *Guidelines for allowable travel expenses and inherent costs*.

- Cost of transportation of equipment and materials.
- Cost of external testing and approvals.
- Cost of Quebec-based external consultants attributable to an expenditure not otherwise provided for herein, without exceeding 5% of the Value of the project.
- Specialized services and outsourcing (research, prototyping, machining, etc.).
- Costs of communications activities, to a maximum of \$10,000 per Partner.
- Costs of audits of sub-projects and of standards compliance assessment carried out by an independent controller.
- Other costs incurred in carrying out QCIP activities, subject to their prior written ministerial approval. For example, fees and dues levied by professional and trade associations.

G) EXAMPLES OF NON ELIGIBLE EXPENDITURES

Certain costs are not eligible for reimbursement, regardless of the fact that they may have been reasonably and properly incurred in the course of carrying out an approved project.

Here are some examples of non eligible expenditures:

- Allowances for interest on capital investments, bonds, debentures and bank or other loans, including bond discounts and credit charges.
- Losses incurred as a result of failed investments, bad debts and any associated recovery fees.
- Losses on other contracts or projects.
- Federal and provincial income taxes, goods and services taxes, excess profit taxes or surtaxes and/or special expenses in connection therewith.
- Provisions for risks.
- Life insurance premiums for managers, administrators or other officers.
- Amortization of unrealized appreciation of assets.
- Depreciation of fixed assets.
- Fines and damages.
- Salaries not reasonably attributable directly to the execution of a project approved under the QCIP.
- Expenses for product development or enhancement incurred outside the project framework.
- Advertising costs, excepting reasonable costs for industrial or institutional publicity involving ads placed in specialized, technical or professional publications for the express purpose of informing the industry or institution.
- Entertainment expenses.

This document is available in French only
https://www.tresor.gouv.qc.ca/fileadmin/PDF/secretariat/Directive_frais_remboursables.pdf

- Donations.
- Specialized software tools do not include such electronic equipment as iPads, computers and cell phones.
- Expenses attributable to outsourcing contracts granted outside Quebec are not eligible.

H) APPLICATION AND ASSESSMENT PROCESS

For the first lot of applications, only those partners with projects listed at the time of the creation of the PSM Projets Stratégiques Mobilisateurs by the ministère de l'Économie et de l'Innovation in June, 2018, may table a project assessment application. The partners in a project must complete the QCIP form and forward it to the following email address: projetsPICQ@promptinnov.com. The deadline for submitting a project is **September 17, 2019**.

The filings will first be analyzed for their qualification. An evaluation committee will then determine which projects will be selected as per the government-approved assessment criteria listed in Appendix A of this applicant's guide. Note that the QCIP assessment criteria were developed with a view to meeting the goals and expected results of the MEI, as set out in the agreement signed with PROMPT-QUEBEC. Note that PROMPT QUEBEC has added bonus criteria to ensure that this inaugural funding program dedicated to the Quebec cybersecurity industry will contribute to the cybersecurity ecosystem by supporting strategic actions to drive innovation and create a true, vibrant and growing cybersecurity industry in Quebec.

Upon selection of the projects from among the first lot of applications and once the selections have been approved by the PROMPT-QUEBEC board of directors, PROMPT QUEBEC will prepare a contribution agreement. This agreement will be signed by all partners in the project and by PROMPT-QUEBEC.

The partners will be notified in writing of their file's eligibility within 45 business days of the closing date of the call for projects.

Upon launching their project, the partners will be able to proceed with monthly claims for their eligible expenses by submitting their claim forms along with all supporting documents as are required by the ministère de l'Économie et de l'Innovation.

I) AMOUNT OF THE GRANTS ALLOCATED UNDER THE QUEBEC CYBERSECURITY INNOVATION PROGRAM

For each project selected and finalized by a written agreement signed by all stake holders, PROMPT-QUÉBEC will allocate a contribution equivalent to **25% of the eligible expenses incurred and claimed** during the project's qualifying period.

J) OTHER GOVERNMENT SUPPORT

Combined public financing (loans and grants) from the Quebec and federal governments attributable to eligible expenditures may not exceed 50% of total admissible expenditures⁶ for the project to qualify.à

K) MANAGEMENT COSTS OF THE QUEBEC CYBERSECURITY INNOVATION PROGRAM AND 10% HOLDBACK

Partners' management costs eligible for the 25% subsidy:

- Costs of communications activities, to a maximum of \$10,000 per partner in the QCIP.
- Costs of project audits, assessment of standards compliance and of other government specifications executed by an independent controller⁷.

Fees charged to cover part of the operating costs of the QCIP:

Non refundable project management fees, equivalent to 2% of the financial contribution approved by PROMPT-QUEBEC, will be applicable, **plus tax**, at the same moment as the refund is paid to the partners.

A 10% holdback of the total funding from PROMPT-QUEBEC will be paid upon reception and validation of the final report.

L) REQUIRED REPORTING OF PROJECT PROGRESS AND COMPLETION

Provide PROMPT-QUEBEC with the following documents, approved by a manager of the attributable company (accountant or CFO, as the case may be):

1. Project progress report:
 - An accounting of expenditures over the eligibility period of project spending.
 - Work progress and expected outcomes.
 - Licensing information.
 - Highlights, past and future.

NOTE: To be submitted every 30th of June and 30th of December, 2019 to 2022

⁶ The tax credit claim for eligible expenditures is outside the definition of funding under this qualifying criterion.

⁷ Listed and concluded in the contribution agreement to be signed by PROMPT-QUEBEC and the partners prior to launch of the selected project.

2. Annual highlights report by partners in the project, for public release.

NOTE: To be submitted every June 30th, 2020 to 2022

3. Partners' final project reports:
 - Comprehensive review relative to the QCIP's objectives, follow-up on awarded contracts and accounting of expenses claimed for the project.
 - List and demonstration of technological gains achieved.
 - Anticipated economic benefits.
 - Expenditure report.
 - Final declaration of all government support received for the project.

NOTES: To be submitted within three months of project end.

Report templates will be provided beforehand.

4. Certification by the project partners' external auditors, meeting the MEI's⁸ specific requirements.

NOTE: Required once per year, at the same time as either the June 30th or December 30th progress reports, 2019 to 2022.

M) INTELLECTUAL PROPERTY

With respect to intellectual property, the parties agree as follows:

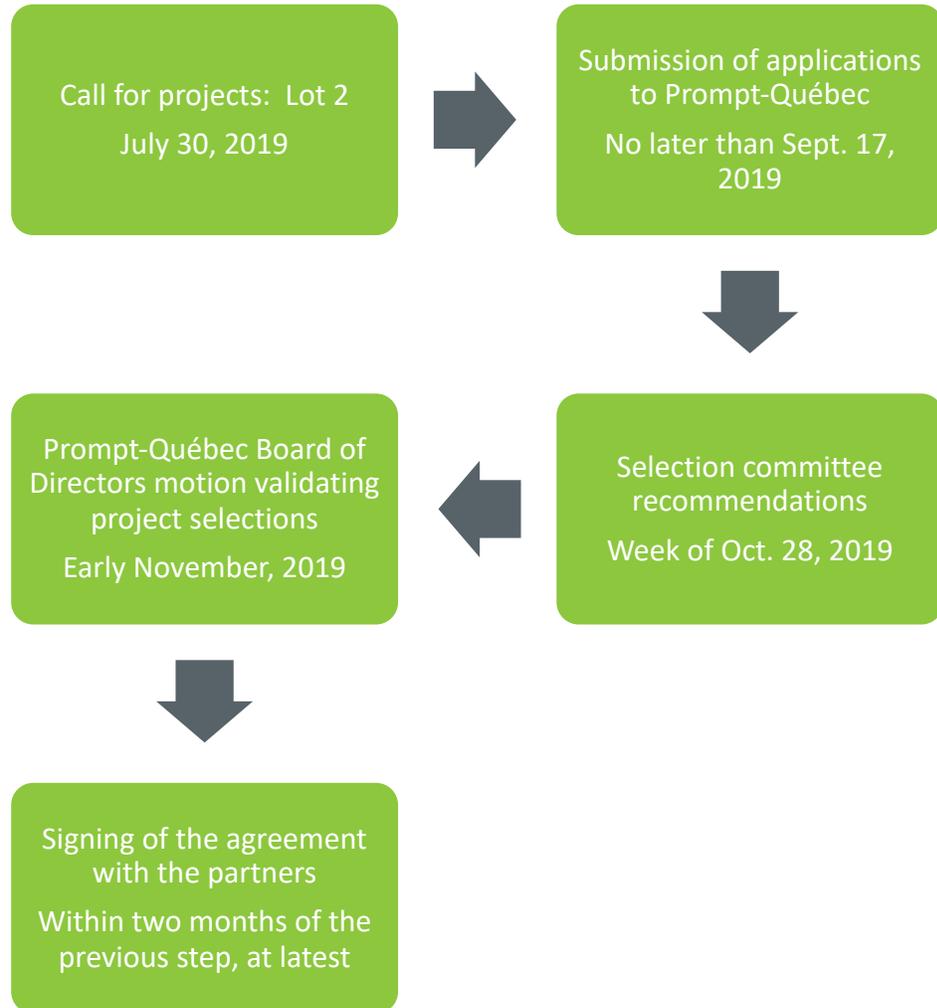
- a. The partners commit themselves to conducting their work on their respective sub-projects while respecting the intellectual property rights of third parties. Notwithstanding the above, the partners cannot guarantee that intellectual property arising from work on these sub-projects do not infringe on the intellectual property rights of third parties.
- b. However, the partners declare that, to their knowledge, they have all necessary rights to carry out the work funded under the agreement, on the understanding that these rights were not necessarily subject to any examination.
- c. Each partner agrees to indemnify and save harmless the organization and the minister in the event of any legal or court proceeding or claim resulting from this partner's use of the intellectual property

⁸ Listed in the contribution agreement to be signed by PROMPT-QUEBEC and the partners prior to launch of the selected project.

- rights arising from the sub-projects in which they are involved, on the understanding that the partners are not jointly and severally liable.
- d. Barring an existing agreement applicable hereto in regard to the sub-projects in which they are involved, the partners undertake, within three months of signing the partners' agreement (see Appendix D), to enter into an agreement governing any intellectual property rights arising from work on these sub-projects, where appropriate. A copy of this agreement shall be transmitted to the minister for information, as shall be any update, where applicable.
 - e. The partners, with prior written ministerial authorization which may only be withheld on reasonable grounds or in the public interest, may transfer to a company headquartered outside Quebec the ownership of intellectual property they develop in the course of executing the sub-projects in which they are involved, or grant exclusive licences in regard to this intellectual property.
 - f. When applying for the abovementioned authorization, the partner shall outline the estimated R&D, investment and economic benefits to Quebec, including employment. The minister may attach conditions to their authorization, such as the pursuit of further development of this intellectual property in Quebec.
 - g. The partners may grant non-exclusive licences for the intellectual property they develop in the course of their work on the sub-projects in which they are involved, such as user, operating, production or marketing licences. The partners shall inform the minister of the issuance of such licences to a company headquartered outside Quebec and outlining the estimated R&D, investment and economic benefits to Quebec, including employment, and will do so upon filing the progress report (Appendix B) and the annual update of the impacts of the sub-project (Appendix D), in the manner there specified.

The terms and conditions stipulated in paragraphs e) and f) will be applicable throughout the period covered by the QCIP, starting from the end of the sub-project within which this intellectual property will have been developed.

N) DEADLINES



APPENDIX A: LIST OF ASSESSMENT CRITERIA

The project assessment score rises as the submitted project meets an increasing number of the established criteria.

QCIP goals	Criteria for a passing grade (60%)	Criteria for a maximum possible grade (120%)	Score
Drive Cybersecurity Innovation (30 points)	Research and development representing more than 15% of the project budget.	Research and development ⁹ representing more than 50% and allowing the creation of an academic research platform for the long term.	10 points
	The project will allow the project lead or a Quebec-based supplier to develop one or several new features of a product/service/solution or process.	The project made possible the development of a new product/service/solution or process by means of a platform which allows for continuous development of innovations AND/OR the project introduces a significant innovation that will replace an older product/solution/process.	10 points
	Part of the project will be carried out in collaboration with graduate students and/or public sector researchers.	A research contract will be signed with a CCTT, a public research centre or a Quebec university to carry out the ENTIRE project OR the collaboration with academia is aimed at launching a startup.	10 points

⁹ GOVERNMENT OF QUEBEC, revenue agency, *Tax credit for salaries and wages – R&D (Code O2)* [This page is available in French only](https://www.revenuquebec.ca/fr/entreprises/impots/impot-des-societes/credits-dimpot-des-societes/credits-auxquels-une-societe-peut-avoir-droit/recherche-scientifique-et-developpement-experimental/credit-dimpot-relatif-aux-salaires-r-d/)
<https://www.revenuquebec.ca/fr/entreprises/impots/impot-des-societes/credits-dimpot-des-societes/credits-auxquels-une-societe-peut-avoir-droit/recherche-scientifique-et-developpement-experimental/credit-dimpot-relatif-aux-salaires-r-d/>

Economic stimulation (35 points)	More than 0.6 Jobs ¹⁰ will be created or maintained per \$100,000 budgeted for the assessed QCIP project.	More than 1.2 jobs will be created or maintained per \$100,000 budgeted for projects on Quebec soil (including direct and indirect jobs). These jobs will be permanent and renewable beyond the project.	15 points
	A product/service/solution of a partner in the project is certain to be sold under the project and steps will be taken to increase speed-to-market.	Moreover, this project will greatly facilitate an increase in sales of at least one <u>new</u> product/service/solution of a partner outside Quebec.	15 points
	The project will have a positive economic impact on the company and its suppliers other than in terms of workforce expansion and marketing of innovations.	The economic impact on Quebec will be significant other than in terms of job creation and marketing of innovations. Moreover, the project will increase one or more partners' sales sufficiently to feed an export market.	5 points
To create a true industry (35 points)	The project and its partners will provide work for at least one Quebec-based supplier of cybersecurity products/services/solutions.	A significant portion of the budget for the project (>30%) will go to two or more Quebec-based suppliers of cybersecurity products/services/solutions, including more than 5% to Quebec-based SMBs that are not partnered in the QCIP.	15 points

¹⁰ The term Jobs is defined as gainful professional activity which people occupy or seek to occupy. Equivalent to full-time.

	This project will allow the new introduction of one or more Quebec-based suppliers of cybersecurity products/services/solutions to a major-company supply chain.	This project will create new supply chains between major companies and Quebec-based suppliers of cybersecurity products/services/solutions, including SMBs.	15 points
	The project will resolve one or several issues facing the overall cybersecurity industry in Quebec.	The project was designed specifically to bring significant advances to the Quebec cybersecurity industry as a whole, and in particular, beyond Quebec.	5 points

List of the criteria of excellence and bonus points for enriching the cybersecurity ecosystem

Maximum of 15 bonus points

List of criteria for bonus points (3 points per criterion)	Meeting the criteria
Developing a cybersecurity workforce (3 points)	Developing a skilled cybersecurity workforce, available to the industry as a whole in the long term and beyond the project, via training programs or centres or by other means.
Improve protection for individuals and organizations. (3 points)	The project will bring marked improvement to the cyber resilience of many organizations and individuals.
Mobilizing the cybersecurity industry through collaboration with Quebec-based SMBs not partnered in the QCIP. (3 points)	The partner or partners planned to concentrate more than 5% of their overall project budget spending on eligible purchases from Quebec-based SMBs not partnered in the QCIP.

<p>Create a startup</p> <p>(3 points)</p>	<p>There is a concentrated effort to launch a startup with the product/service/solution/process.</p>
<p>Stimulate creativity (3 points)</p>	<p>The proposal is "outside the box" – marked by creativity and originality that will help grow the QCIP's reputation.</p>

Grand total:

115 points

PASSING GRADE FOR PROJECT APPROVAL:

The selection committee is free to set the passing grade for project approval at 60% or 70% within a given group of applicants. The committee's decision will turn on two considerations:

- The quality of the projects submitted for approval within a given group of applicants.
- The number of projects that can be launched and concluded within the timeframe of the QCIP, given the speed of execution.

The program is administered by PROMPT-QUÉBEC.

All inquiries should be addressed to program managers Amélie Dansereau or Sovita Chander.

Coordinates:

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 418-802-2435
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