



SECURITIES  
COMMISSION

Business Plan 2017-2018

## **Mandate**

The Nova Scotia Securities Commission (the Commission) is an independent, quasi-judicial tribunal created by the *Securities Act*. The Commission's mandate is to provide investors with protection from practices and activities that tend to undermine investor confidence in the fairness and efficiency of capital markets and, to the extent not inconsistent with an adequate level of investor protection, to foster the process of capital formation.

The Commission undertakes the oversight of Nova Scotia's capital markets and the fulfillment of its mandate through licensing securities industry professionals and reviewing prospectuses and offering documents in connection with public offerings of securities. The Commission also carries out compliance reviews of market participants headquartered in Nova Scotia, investigates complaints from the public, enforces Nova Scotia securities laws, and educates Nova Scotians through a variety of investor education programs.

## **Core Activities**

With a staff of 18 and a budget of \$2.6 million, the Commission performs the "Core Activities" outlined in Appendix A utilizing strategies to advance the regulatory needs of Nova Scotia investors and businesses effectively and efficiently.

The Commission acts independently where warranted and also pursues harmonized rules and programs in collaboration with other members of the Canadian Securities Administrators (CSA) to facilitate capital formation while providing investor protection. As key strategies affecting our Core Activities in 2017-2018, harmonized work and development will continue on a new national electronic document filing system, a project to reduce the regulatory burden for businesses raising capital, and reviewing and revising standards of conduct of industry professionals. Collaboration on these projects and others is accomplished primarily through email and conference calls to ensure the efficient use of resources, and to result in an efficient, fair, and effective environment for Nova Scotia businesses and investors. To continue this work, the Commission must develop an interface with the

proposed national cooperative Capital Markets Regulatory Authority, which is now expected to commence operations in late 2018.

## **National Electronic Filing System**

The members of the CSA have undertaken the development of a new comprehensive web-based electronic filing program which is scheduled to be operational by late 2018. All securities legislation, regulations, and rules must be reviewed and, if necessary, amended prior to that time. This system will replace several standalone programs and provide staff with a workflow model and an integrated database of information on businesses and individuals interacting with the Commission.

These national systems will be replaced by the new system:

1. SEDAR – System for Electronic Document Analysis and Retrieval – an electronic filing system used by businesses to obtain receipts to sell securities and for disclosure of public information,
2. SEDI – System for Electronic Disclosure by Insiders – an electronic filing system used by insiders of businesses to disclose their securities transactions,
3. ERA – Exemptive Relief Applications – a paper-based multi-jurisdiction system for requesting and obtaining commission orders to be exempt from various securities law requirements,
4. NRD – National Registration Database – an electronic filing system used by individuals and firms registered to sell securities to obtain registration, and used by the public to check registrations of salespeople and firms,
5. CTO Database – Cease Trade Order Database – a database of businesses and individuals who have been ordered by Commissions across Canada to cease trading securities, and
6. DPL – Disciplined Persons List – a database containing the names of individuals and businesses who have been subject to disciplinary action by a securities commission or regulator in Canada.

Additionally, the intent, if feasible, is to replace all local systems with the new national system.

## **Reducing Regulatory Burden**

This initiative will focus on five main areas:

1. Expanding the application of streamlined rules for smaller reporting issuers.
2. Reducing regulatory burdens associated with the prospectus rules and offering process, including:
  - (a) reducing the audited financial statement requirement in an initial public offering (IPO) prospectus;
  - (b) streamlining other prospectus requirements;
  - (c) streamlining public offerings for reporting issuers; and
  - (d) other potential areas.
3. Reducing ongoing disclosure requirements, including:
  - (a) removing or modifying the criteria to file a business acquisition report;
  - (b) reducing disclosure requirements in annual and interim filings; and
  - (c) eliminating quarterly reporting.
4. Eliminating overlap in regulatory requirements.
5. Enhancing electronic delivery of documents.

## **Standards of Conduct of Securities Industry Professionals**

This initiative will continue to focus on the following:

1. Exploring whether or not a mandated regulatory “best interest” standard should apply to licensed securities professionals.
2. Exploring targeted reforms to securities regulations to improve the client-registrant relationship, such as limiting the use of client-facing titles and designations, increasing proficiency standards, and managing or avoiding conflicts of interest.
3. Exploring the option and potential impact of discontinuing embedded commissions and transitioning to direct pay arrangements on Canadian investors and market participants.

As with most major projects at the Commission, these initiatives involve cooperation and coordination with other members of the CSA, are staff-intensive and have target completion dates that are up to three years in the future. For two of the initiatives (Reducing Regulatory Burden and Standards of Conduct of Securities Professionals), ultimate outcomes rely, to a large degree, on public input. Accordingly, at this early stage, it is difficult to assess their final impact, if any.

## Appendix A

Core Activities of the Commission include the following proactive and reactive activities:

### Proactive:

- Licensing of securities industry professionals (2,668 in 2015-16);
- Reviewing prospectuses in connection with proposed public offerings of securities (5 in 2015-16) and continuous disclosure (9 in 2015-16)<sup>1</sup> from Nova Scotia's public companies;
- Reviewing offering documents (15 in 2015-16) prepared by issuers pursuant to the Community Economic Development Corporations Regulations;
- Carrying out targeted compliance reviews (8 in 2015-16) of public companies headquartered in Nova Scotia and investment industry registrants;
- Overseeing the in-Nova Scotia work of self-regulatory organizations involved in the protection of Canadian investors;
- Educating Nova Scotia investors and potential investors through a variety of investor education programs;
- Educating Nova Scotia small businesses about the programs and exemptions available to them to raise capital and the functioning of the Province's capital markets;
- Establishing rules and policies relating to the regulation of the securities industry in Nova Scotia;
- Participating in coordinated policy development with other Canadian securities regulators through participation in the work of the CSA; and

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<sup>1</sup> Where Nova Scotia is the principal regulator.

- Ensuring timely and responsible execution of the Commission's core responsibilities.

Reactive:

- Reviewing and adjudicating on exemption applications from the requirements of Nova Scotia securities laws (5<sup>2</sup> and 68<sup>3</sup> in 2015-16); and
- Investigating complaints from the public (57 in 2015-16) and carrying out fair and timely enforcement of Nova Scotia securities laws to prevent and deter unlawful activities.

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<sup>2</sup> Where Nova Scotia was the principal regulator.

<sup>3</sup> Where Nova Scotia was not the principal regulator.