



SECURITIES COMMISSION

Business Plan 2019-2020

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 establishing rules and policies relating to the regulation of the securities industry, participating in coordinated policy development with other Canadian securities regulators, 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 Responsibilities / Services

With a staff of 19 and a budget of \$2.6 million, the Commission performs the "Core Responsibilities and Services" outlined in Appendix A using strategies to advance the regulatory needs of Nova Scotia investors and businesses effectively and efficiently.

The Commission acts independently, where warranted, and pursues harmonized rules and programs in collaboration with other members of the Canadian Securities Administrators (the CSA) to facilitate capital formation while, at the same time, providing investor protection.

Priorities for 2019-20

#1 Outcome: Enhanced protection of investors resident in Nova Scotia.

Goal: Front-line investor protection will be enhanced to reduce the need for enforcement action after irreversible losses occur.

Actions:

- The Commission will increase the number of compliance reviews of registered securities industry professionals and their firms (registrants) in Nova Scotia. Compliance reviews ensure that securities laws and regulations are being followed and address any non-compliance before Nova Scotian investors incur any losses.

- The Commission will increase its oversight of the work conducted by self-regulatory organizations (such as IIROC and the MFDA) in Nova Scotia.
- The Commission will continue to work in collaboration with the CSA to improve the client-registrant relationship by:
 - reviewing the standards of conduct of registrants and exploring targeted reforms to securities regulations. The standards and targeted reforms include: managing or avoiding conflicts of interest, enhancing the standard of conduct applicable to licensed securities professionals, limiting the use of client-facing titles and designations, and increasing proficiency standards; and
 - exploring the end of, or restrictions on, embedded commissions used in the sale of securities products and consider a transition to direct pay arrangements. The review of ending, or restrictions on, the use of embedded commissions will include the impact to investors and registrants.
- The Commission will continue to monitor and track behaviors in the Nova Scotia market, and publish alerts notifying Nova Scotians about high-risk investment schemes or potentially fraudulent instances.

#2 Outcome: Changes in the capital markets and regulatory regime are addressed in a timely manner.

Goal: The Commission will continue to use its expertise in addressing market developments and other changes that affect Nova Scotians.

- Actions:**
- The Commission will ensure that the continued expertise and analytical capacity is available through hiring of professional staff with specialized skills and experience, and through training and professional development.
 - The Commission will participate on the CSA Regulatory Sandbox Committee to: gain a better understanding of how technology innovations are impacting capital markets, assess the scope and nature of regulatory implications, and determine what may be required to modernize the securities regulatory framework for financial technology.
 - The Commission will work with the CSA Regulatory Sandbox

Committee to respond to Nova Scotia businesses that have innovative business models or technologies that may be seeking exemptive relief from securities law requirements under a fast and flexible process.

- The Commission will continue to review the rules applicable to Community Economic Development Corporations in Nova Scotia and will update the regulatory requirements to be consistent with policy developments and harmonize them with other securities requirements applicable to capital raising exemptions.

#3 Outcome: Reduction of regulatory burden on securities industry participants.

Goal: The Commission will work with the CSA to reduce duplicative and unnecessary regulations for businesses wishing to raise capital in Nova Scotia.

- Actions:**
- The Commission and the CSA will review and propose changes to certain capital raising regulations. The proposed changes identified through consultation and public input are facilitating at-the-market distributions, alternative prospectus forms, use of electronic delivery, and removal of duplicative and non-informative continuous disclosures.
 - The Commission will continue to work with the CSA on the development of a new comprehensive web-based national filing system and the related amendments to securities regulations and rules prior to the implementation of the new system. This system will replace several standalone programs and, when fully operational, will provide staff with a workflow model and an integrated database of information on businesses and individuals interacting with the Commission.

The Commission's goals and activities are consistent with the Nova Scotia Government's priorities of wellbeing and economic development and growth.

Evaluation and Measurement

Most major Commission projects involve cooperation and coordination with other members of the CSA. These projects are staff-intensive and have target completion dates that are up to three years in the future. For rule and policy development initiatives (such as the initiatives to improve the client-registrant relationship and reduce regulatory burden), ultimate outcomes rely, to a large degree, on public input. Accordingly, at this stage, it is difficult to assess their final impact.

Appendix A

Core Responsibilities and Services of the Commission include the following proactive and reactive activities:

Proactive:¹

- Licensing of securities industry professionals (2,548 in 2017-18);
- Reviewing prospectuses in connection with proposed public offerings of securities (6 in 2017-18) and continuous disclosure (8 in 2017-18) ² by Nova Scotia's public companies;
- Reviewing offering documents (9 in 2017-18) prepared by issuers pursuant to the Community Economic Development Corporations Regulations;
- Carrying out targeted compliance reviews (8 in 2017-18) of investment industry firms headquartered in Nova Scotia and investment industry professionals;
- 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
- Ensuring timely and responsible execution of the Commission's core responsibilities.

¹ As the 2018-19 fiscal year has not yet ended, statistics relate to fiscal 2017-18.

² Where the Commission is the principal regulator.

Reactive:

- Reviewing and adjudicating on exemption applications from the requirements of Nova Scotia securities laws (one³ in 2017-18); and
- Responding to inquiries (40 in 2017-18) and investigating complaints from the public (39 in 2017-18) and carrying out fair and timely enforcement of Nova Scotia securities laws to prevent and deter unlawful activities.

³ Where the Commission was the principal regulator. On June 23, 2016, the passport system under securities laws was expanded to apply to applications by reporting issuers wishing to cease to be a reporting issuer. Under the expanded passport rules, only the principal regulator reviews such applications and renders a decision thereby reducing regulatory burden and inefficiencies. As a result, the number of exemption applications requiring the Commission's review has declined compared to prior years.

Budget Context

Nova Scotia Securities Commission			
	2018-19 Estimate	2018-19 Forecast	2019-20 Estimate
Programs Expenses	(\$thousands)	(\$thousands)	(\$thousands)
Salaries	2,019	1,851	2,018
Operating Costs	628	858	658
Gross Expenses	2,647	2,709	2,676
Less: Chargeable to Other Departments	0	(150)	0
Total Program Expenses	2,647	2,559	2,676
Additional Information:			
Ordinary Revenue	(19,700)	(19,741)	(20,300)
Fees and Other Charges	0	(4)	0
Ordinary Recoveries	0	0	0
Provincial Funded Staff (FTEs) Net	19.0	17.6	19.0