



SECURITIES COMMISSION

Business Plan 2020-2021

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 registered 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 \$2.9 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 2020-21

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

Goal #1: Investor protection will be enhanced through front-end initiatives to reduce the need for enforcement action after irreversible losses occur.

Goal #2: Investor protection will be enhanced by identifying and investigating securities market violations and taking enforcement action to terminate and deter unlawful conduct in Nova Scotia.

Actions:

- The Commission will promote and employ investor education initiatives aimed at targeted audiences, including the Student Connections Program and online resources for young investors and seniors.

- The Commission will continue to work in collaboration with the CSA to improve the client-registrant relationship by:
 - implementing provisions relating to conflicts of interest, know-your-client (KYC), know-your-product (KYP), suitability, relationship disclosure information, and continuing to work to better align the interests of advisers and firms with the interests of their clients through reviewing and enhancing other specific obligations related to proficiency, use of titles and designations;
 - promoting investment fund fee transparency and reducing fund embedded commissions and related conflicts through (i) rule changes to mitigate investor harms arising from the use of a deferred sales charge purchase option and the discontinuance of the payment of trailing commissions by fund organizations to dealers who do not provide suitability advice, and (ii) collaboration with self-regulatory organizations on initiatives that aim at further enhancing fund fee transparency; and
 - developing a regulatory framework to address financial exploitation and cognitive impairment among older and vulnerable investors, including providing advisers and their firms with tools and guidance regarding their ability to disclose information and placing temporary holds on disbursements of funds or securities from the accounts of older or vulnerable clients when there is reasonable belief of financial exploitation or cognitive impairment.
- 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, activities in violation of registration requirements and potentially fraudulent activities.
- The Commission will continue to collaborate with other CSA jurisdictions by sharing information, coordinating enforcement activities as well as developing and implementing a data repository that has analytic tools to enhance enforcement effectiveness, including insider trading and market manipulation investigations. The platform will also expedite focused policy research and aid in investigating more sophisticated and complex cases.
- The Commission will continue its efforts to collaborate with border authorities, the Nova Scotia Public Prosecution Service and the RCMP relating to its enforcement activities and collection of penalties.

#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 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 collaborate with the CSA to identify and respond to emerging issues and threats, and to coordinate expertise to minimize and deter threats to capital markets and investors.
 - The Commission will continue to participate on and work with 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 participate in the development of policies and rules to modernize the securities regulatory framework for financial technology; and
 - respond to Nova Scotia businesses that have innovative business models or technologies that may be seeking exemptive relief from securities law requirements under a 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.
 - The Commission will continue to work with the CSA to harmonize the crowdfunding rules into a national instrument.

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

Goal: The Commission will continue work with the CSA to address regulatory burden reduction for a broad range of market participants, including public and exempt issuers, investment funds and registrants to ensure requirements continue to be appropriate, necessary and relevant to capital market participants in Nova Scotia.

Actions:

- The Commission and the CSA will review and propose changes to certain capital raising rules. The proposed changes identified through consultation and public input include facilitating at-the-market distributions, considering alternative prospectus forms, use of electronic delivery, and the removal of duplicative and non-informative continuous disclosures.
- The Commission will continue to work with the CSA on the development and implementation of a 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.

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, ultimate outcomes rely, to a large degree, on public input. Accordingly, at this stage, it is difficult to assess their final impact.

Other Major Initiative

On January 10, 2019, the Government of Nova Scotia signed two agreements that formally committed Nova Scotia to joining the Cooperative Capital Markets Regulatory System – known as the “National Regulator.” The Commission is working collaboratively with Nova Scotia’s Department of Finance and Treasury Board, other participating provincial and territorial jurisdictions, the federal government, and the Capital Markets Authority Implementation Organization to implement the National Regulator. At the same time, the Commission will maintain an engaged and effective regulatory presence, including a cooperative interface with the CSA.

Appendix A

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

Proactive:¹

- Licensing of securities industry professionals (2,568 in 2018-19);
- Reviewing prospectuses in connection with proposed public offerings of securities (7 in 2018-19) and continuous disclosure (9 in 2018-19) ² by Nova Scotia's public companies;
- Reviewing offering documents (5 in 2018-19) prepared by issuers pursuant to the Community Economic Development Corporations Regulations;
- Carrying out targeted compliance reviews (6 in 2018-19) of investment industry firms registered 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 2019-20 fiscal year has not yet ended, statistics relate to fiscal 2018-19.

² Where the Commission is the principal regulator.

Reactive:

- Reviewing and adjudicating on exemption applications from the requirements of Nova Scotia securities laws where the Commission was the principal regulator (8 in 2018-19) and where the Commission was part of a coordinated review but was not the principal regulator (2 in 2018-19)³ ;
- Issuing cease trade orders for failure to comply with Nova Scotia securities laws' continuous disclosure requirements (4 in 2018-19); and
- Responding to inquiries (57 in 2018-19) and investigating complaints from the public (48 in 2018-19) and carrying out fair and timely enforcement of Nova Scotia securities laws to prevent and deter unlawful activities.

³ 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 since June 2016.

Budget Context

| Nova Scotia Securities Commission | | | |
|---|---------------------|---------------------|---------------------|
| | 2019-20 Estimate | 2019-20 Forecast | 2020-21 Estimate |
| Programs Expenses | (\$thousands) | (\$thousands) | (\$thousands) |
| Salaries | 2,018 | 1,758 | 2,247 |
| Operating Costs | 658 | 918 | 675 |
| Gross Expenses | 2,676 | 2,676 | 2,922 |
| Less: Chargeable to Other Departments | 0 | 0 | 0 |
| Total Program Expenses | 2,676 | 2,676 | 2,922 |
| Additional Information: | | | |
| Ordinary Revenue | (20,300) | (20,313) | (20,900) |
| Fees and Other Charges | 0 | (1) | 0 |
| Ordinary Recoveries | 0 | 0 | 0 |
| | | | |
| Provincial Funded Staff (FTEs) Net | 19.0 | 16.3 | 19.0 |