



Securities Commission

Annual Accountability Report
for the Fiscal Year 2016 – 2017

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Accountability Statement

The Accountability Report of the Nova Scotia Securities Commission (the Commission) for the year ended March 31, 2017, is prepared pursuant to the *Finance Act* and government policies and guidelines. These authorities require the reporting of outcomes against the Commission's Business Plan for the fiscal year just ended. The reporting of the Commission's outcomes necessarily includes estimates, judgments and opinions by Commission management.

We acknowledge that this Accountability Report is the responsibility of Commission management. The report is, to the extent possible, a complete and accurate representation of outcomes relative to the goals and priorities set out in the Commission's 2016-2017 Business Plan.

"Paul Radford"

Paul E. Radford, QC, Chair

"J.W. Slattery"

J. William Slattery, C.P.A., C.A., Executive Director

Message from the Chair

The principal mission of the Nova Scotia Securities Commission, as set out in the *Securities Act*, is to protect investors in Nova Scotia while fostering fair and efficient capital markets in the Province. The Commission fulfils this mission through its activities in four core business areas: the regulatory, administrative and adjudicative activities of the Commission board; the policy development, registration, compliance, and investor education activities of the Policy and Market Regulation branch; the offering document review and continuous disclosure review activities of the Corporate Finance branch; and the investigation and enforcement activities of the Enforcement branch.

This report describes the Commission's significant activities and accomplishments in each of these business areas during the past year, with particular reference to the progress we have made in achieving the goals and priorities set out in the Commission's 2016-2017 Business Plan which is available on the Commission's website.

As in years past, we have fulfilled our mandate with a close attention to fiscal responsibility. Our revenues for 2016-2017 increased by 0.82%, or \$0.162 million, from the prior year to \$19.977 million. This increase in our revenues is attributable primarily to an increase in corporate filings. Our total expenditures for 2016-2017 increased by 0.27%, or \$0.077 million, over the prior year to \$2.562 million. This increase in expenditures relates primarily to increases in travel, professional services and honoraria expenses. Our total expenditures for the year were \$0.033 million under our approved budget of \$2.595 million.

This year, the Commission accomplished considerable policy development work, including regulating derivatives, continuing to modernize and harmonize the exempt market through updates to existing exemptions and the establishment of new exemptions, implementing Stage 3 of the Point of Sale Project to simplify and modernize the disclosure that must be made to purchasers of mutual funds, enhancing standards for investment professionals, and continuing to contribute to the policy development and harmonization efforts of the Canadian Securities Administrators (CSA).

"Paul Radford"

Paul E. Radford, QC, Chair

Nova Scotia Securities Commission

Financial Results

Core Business (All)	2016-2017 Estimate (\$ thousands)	2016-2017 Actual (\$ thousands)	Variance (\$ thousands)
Revenues	(18,500)	(19,977)	1,477 ¹
Expenditures			
Salaries and Benefits	1,971	1,943	28
Operating Costs	624	619	5 ²
Cost Recoveries			
Total Expenditures	2,595	2,562	33
Net Revenue	(15,905)	(17,415)	1,510
FTEs	19.0	18.0	1

¹ Revenues were higher than budgeted due to an increase in the volume of corporate finance filings.

² Lower operating costs compared to estimate were the result of lower than expected professional services and Honoria expenses.

Measuring Our Performance

The performance measures for the Commission are focused on its goals of improving the framework of securities regulation in Nova Scotia and ensuring the efficient administration of the Commission’s four core business areas: the Commission board, the Policy and Market Regulation branch, the Corporate Finance branch and the Enforcement branch. All data used in the following performance measurements is gathered from internal sources and is presented to the Commission via monthly operating reports.

Core Area 1 – The Commission Board

Outcome: Efficient administration of the Commission’s adjudicative and exemption granting jurisdictions

The Commission’s commitment to and accomplishment of harmonization of the securities laws of Nova Scotia with the securities legislation in the other Canadian jurisdictions and to maintaining the Passport System for Securities Regulation is reflected in Chart 1 below, which shows that the Commission met its targets for the timely adoption of national and multilateral instruments. Chart 2 shows that the Commission almost met its target for considering exemption applications within five business days of the application being filed. The shortfall was due to one application being considered within six business days.

Chart 1: Percentage of national/multilateral instruments adopted as rules within set timelines to continue the harmonization of securities laws as contemplated in the Provincial/Territorial MOU on Securities Regulation

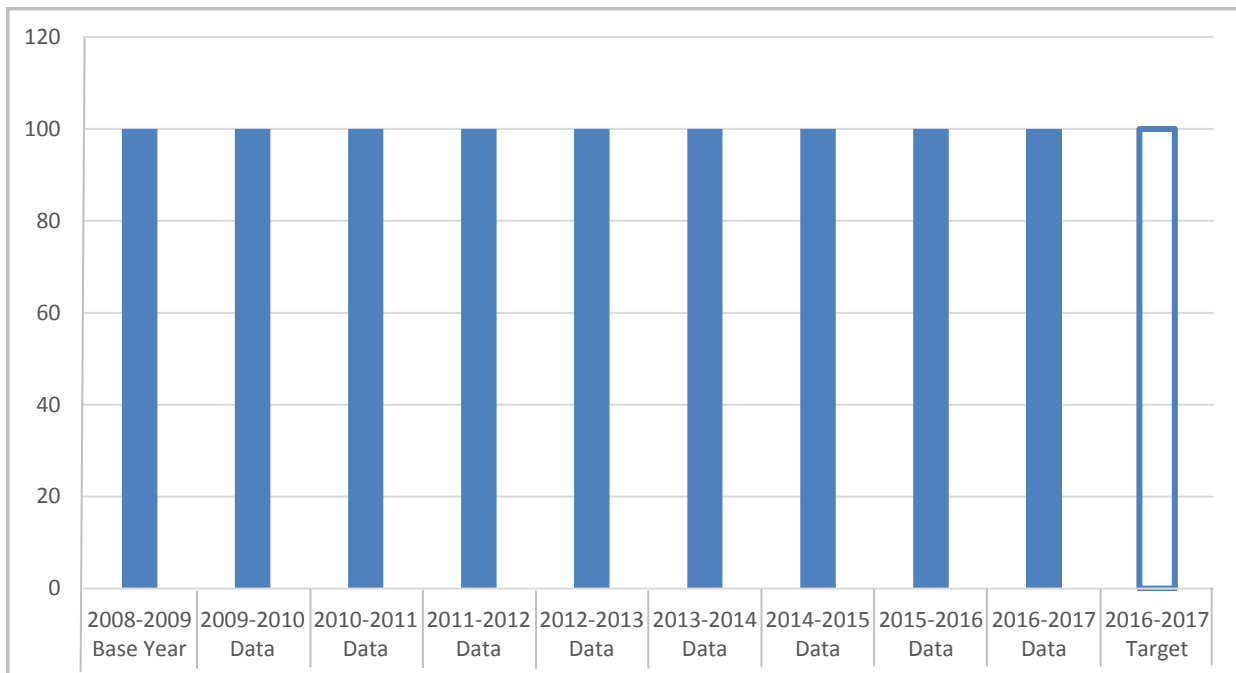
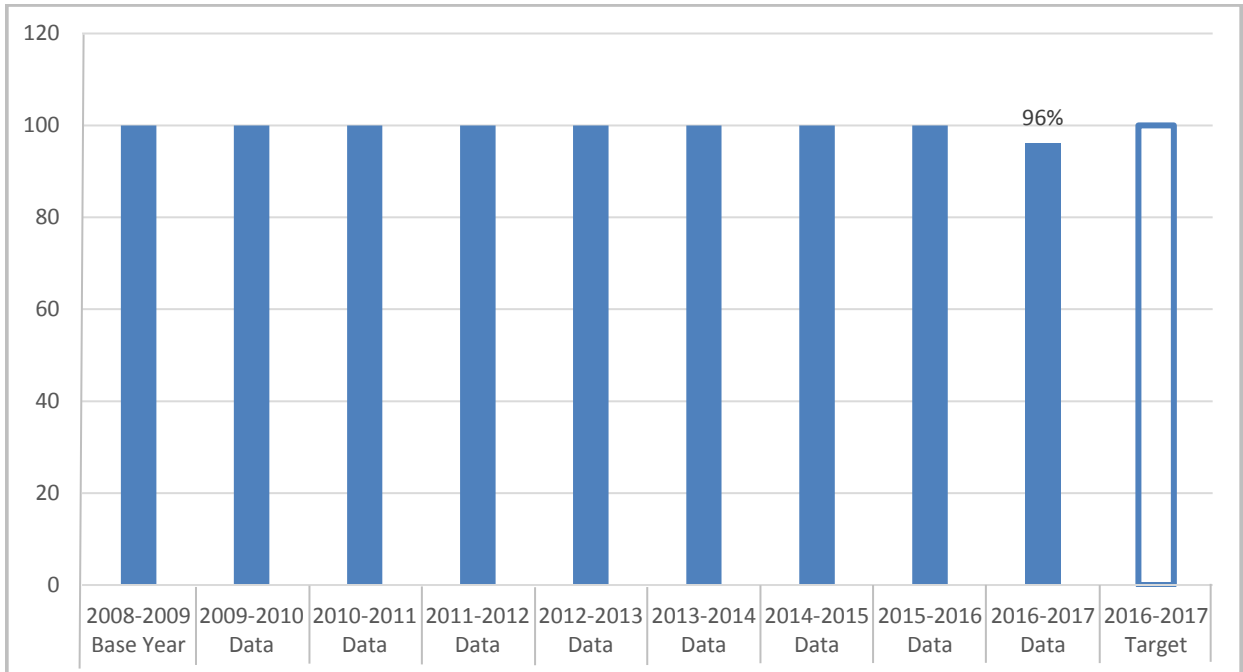


Chart 2: Percentage of exemption applications considered within five business days of filing



As illustrated in the following Chart 3, this year the Commission exceeded its target relating to the timely issuance of orders after settlement hearings. In 2016-2017, the Commission held one settlement hearing to consider the approval of a settlement agreement. The order was made within 10 business days of final submissions in the hearing, surpassing our target rate of 95%. For the same time period, as illustrated in the following Chart 4, the Commission did not conclude any contested matters. However, during the period, the Commission heard two preliminary motions and the Commission issued written decisions within 90 days of the final submissions on the motions.

Chart 3: Percentage of orders made within 10 business days of the final submissions from the parties following the conclusion of a settlement hearing

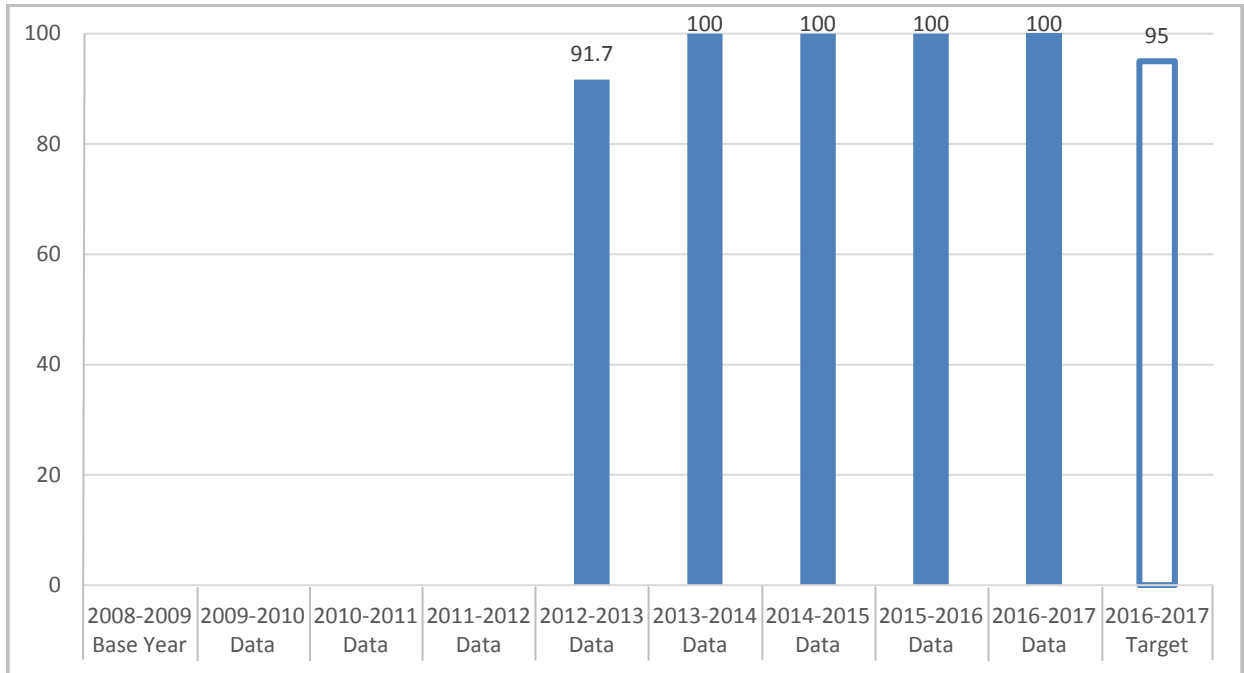
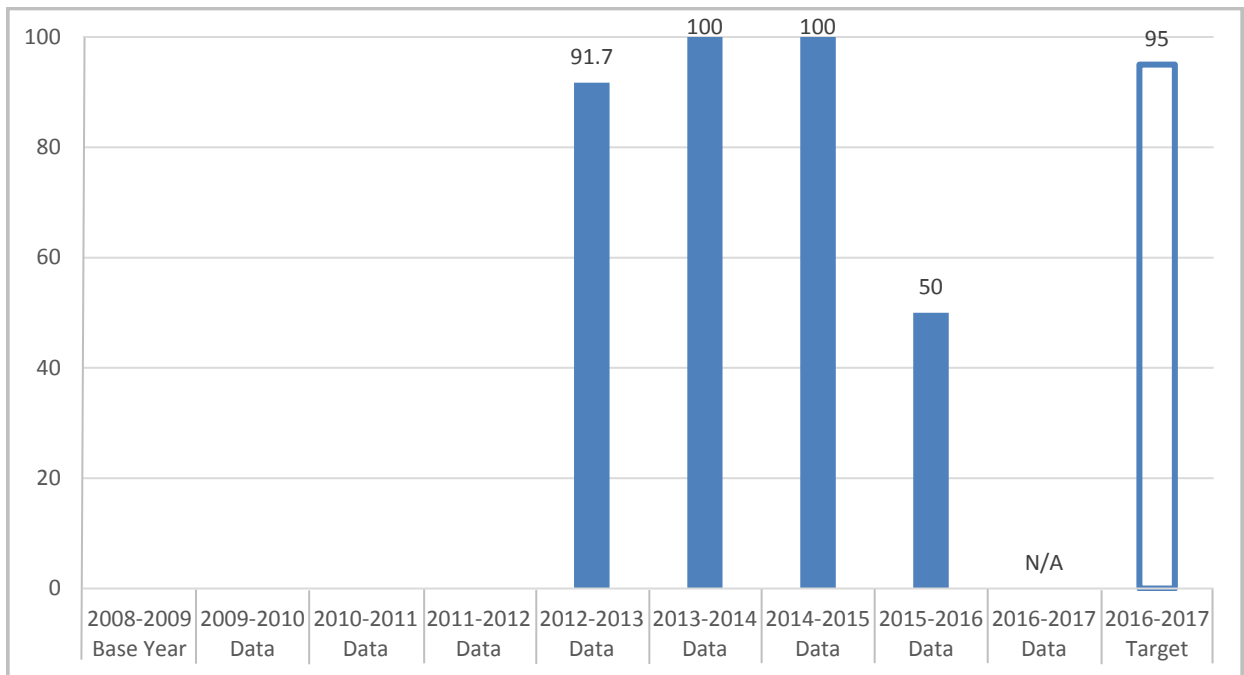


Chart 4: Percentage of orders and decisions made within 90 days of the final submissions from the parties following the conclusion of a contested hearing



Major Policy Initiatives

In further support of the Passport System for Securities Regulation, the Commission participated in the following major policy initiatives:

- Publication for comment of CSA Consultation Paper 33-404 *Proposals to Enhance the Obligations of Advisers, Dealers, and Representatives Toward Their Clients* to seek comments on proposed regulatory action aimed at enhancing the obligations of securities advisers, dealers, and representatives toward their clients.
- Signing of a counterpart agreement to the *Memorandum of Understanding Concerning Cooperation and the Exchange of Information Related to the Supervision of Cross-Border Entities between the Commodity Futures Trading Commission (the CFTC) and the Alberta Securities Commission, British Columbia Securities Commission, Ontario Securities Commission, and the Autorité des Marchés Financiers* to facilitate the supervision of certain regulated entities that operate across the United States-Canadian border, including derivatives trade repositories, derivatives trading facilities, and clearing agencies.
- Adoption of amendments to Blanket Order No. 71-801 *In the Matter of Rule 71-101 The Multijurisdictional Disclosure System* by amending order to provide exemptive relief from certain securities law requirements for distributions under the multijurisdictional disclosure system to correspond with recent amendments to the takeover bid regime and updating the financial reporting section.
- Publication for comment of proposed amendments to the regulatory framework for advisers, exempt market dealers and investment fund managers contained in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (NI 31-103) and National Instrument 33-109 *Registration Information, and Related Policies and Forms*. The proposed amendments include, among other things, enhancing custody requirements applicable to registered firms that are not members of self-regulatory organizations, clarifying the activities that may be conducted under the exempt market dealer registration in respect of trades in prospectus-qualified securities, and adding guidance to the companion policy to NI 31-103 regarding the delivery of information required under the Client Relationship Model (Phase II) regime.
- Adoption and publication of changes to Companion Policy 24-102 *Clearing Agency Requirements* by adding in supplementary guidance in Annex I regarding financial market infrastructure recovery and orderly wind-down planning which is intended to provide additional clarity regarding recovery and orderly wind-down plans for domestically-based recognized clearing agencies that are also overseen by the Bank of Canada.

- Adoption of amendments to Multilateral Instrument 96-101 *Trade Repositories and Derivatives Data Reporting* (MI 96-101) as a rule to require a local counterparty have a legal entity identifier (LEI) and revise the provisions relating to LEIs to reflect international developments; to provide relief from the reporting obligations for derivatives between two affiliated end-users in certain circumstances; to provide a transition period before the reporting obligations become effective for certain counterparties; to set out the requirements for public dissemination of transaction-level data; and to provide for substituted compliance under certain specified foreign laws.
- Adoption of amendments to Multilateral Instrument 91-101 *Derivatives: Product Determination* by rule to clarify the definition of “derivative” in order to better harmonize the definition of “specified derivative” among the participating jurisdictions; to reflect recent amendments to the securities legislation in Alberta; and to clarify certain guidance in the companion policy relating to physically-settled commodity derivatives, settlement by delivery and investment contracts in Nova Scotia as well as certain other jurisdictions.
- As a result of amendments to the *Securities Act* (Nova Scotia) related to the automatic reciprocation of orders issued by other securities regulatory authorities in Canada, including failure-to-file cease trade orders, revocation of Multilateral Instrument 11-103 *Failure to File Cease Trade Orders in Multiple Jurisdictions* by rule as it is no longer operable, and the adoption and publication of related changes to National Policy 11-207 *Failure to File Cease Trade Orders in Multiple Jurisdictions and Revocations in Multiple Jurisdictions*.
- Adoption of Blanket Order No. 96-501 *Relief from Certain Derivatives Reporting Requirements* exempting reporting counterparties, in limited circumstances, from certain requirements under MI 96-101 to address situations where foreign laws prevent or hinder reporting, and situations where the reporting counterparty to a derivative has been unable to obtain certain information from its counterparty to enable the reporting counterparty to fulfil its reporting obligations under the MI 96-101.
- Adoption of Blanket Order No. 45-527 *In The Matter Of Exemptions From Certain Requirements In Form 45-106F1 Report Of Exempt Distribution* to exempt certain foreign issuers from the requirement in Schedule 1 of Form 45-106F1 to identify whether a purchaser is a registrant or an insider of the issuer where one or more of the following apply: (i) the issuer is a foreign public issuer; (ii) the issuer is a wholly-owned subsidiary of a foreign public issuer; (iii) the issuer is distributing eligible foreign securities only to permitted clients.

- Adoption of amendments to Blanket Order No. 45-524 *In the Matter of Start-Up Crowdfunding Registration and Prospectus Exemptions* as well as related forms by amending order, and adoption and publication of changes to related guides. The amendments to the start-up crowdfunding registration and prospectus exemptions, and corresponding start-up forms and guides, include the requirement to file offering documents and reports of exempt distribution electronically through SEDAR and other housekeeping amendments.
- Publication for comment of CSA Consultation Paper 95-401 *Margin and Collateral Requirements for Non-Centrally Cleared Derivatives* to seek comments on a proposed framework that would establish: the scope of derivatives and derivatives market participants that would be subject to margin and collateral requirements; requirements to exchange initial margin and deliver variation margin; the mechanism to calculate margin and collateral required for derivatives that are not cleared through a clearing agency that acts as a central counterparty; the categories of eligible collateral; procedures for the control, treatment and protection of collateral pledged to counterparties; requirements to have a process for dispute resolution; substituted compliance where a transaction involves an entity that is subject to equivalent requirements; and exclusions for certain entities and categories of derivatives from the margin requirements.
- Publication for comment of CSA Consultation Paper 24-402 *Policy Considerations for Enhancing Settlement Discipline in a T+2 Settlement Cycle Environment* to provide an overview of existing settlement discipline measures in the Canadian equity and debt markets and raise certain policy considerations for addressing the risk that the transition to a standard T+2 settlement cycle may increase settlement failures in our markets.
- Publication for comment of proposed amendments to National Instrument 81-102 *Investment Funds* (NI 81-102), National Instrument 81-101 *Mutual Fund Prospectus Disclosure* (NI 81-101), their companion policies, and consequential amendments, and the related repeal of National Instrument 81-104 *Commodity Pools* (NI 81-104) to modernize the regulation of investment funds, including alternative funds, by making the regulatory framework in Canada to help facilitate innovative strategies while at the same time maintaining appropriate investor protections. The proposed amendments also include provisions that will impact other types of mutual funds, as well as non-redeemable investment funds through certain investment restrictions; most of the regulatory framework currently applicable to commodity pools under NI 81-104 will be adopted into NI 81-104 as well as apply to alternative funds; and certain exemptive relief frequently granted to mutual funds will be codified.

- Adoption of amendments to National Instrument 41-101 *General Prospectus Requirements* by rule to require exchange traded funds (ETFs) to produce and file a summary disclosure document called an “ETF Facts”, which must be made available on the ETF’s or the ETF manager’s website. In addition, to amend the delivery regime by requiring dealers that receive an order to purchase ETF securities to deliver an ETF Facts in lieu of a prospectus to investors within two days of the purchase, and to make the prospectus available to investors upon request.
- Adoption of amendments to National Instrument 81-101 *Mutual Fund Prospectus Disclosure* by rule to mandate a risk classification methodology for use by a fund manager for the purpose of determining the investment risk level of conventional mutual funds and ETFs for disclosure in Fund Facts and ETF Facts documents, as applicable. The proposed amendments require the investment risk level of a conventional mutual fund or an ETF to be determined for each filing of the Fund Facts or ETF Facts, as applicable, and at least annually.
- Adoption of Blanket Order No. 96-503 *Exemption from Certain Derivatives Reporting Requirements Under MI 96-101 for Certain Financially-Settled Electricity Based Derivatives* to grant blanket exemptive relief from certain data reporting requirements under Part 3 of MI 96-101 by local counterparties in respect of certain financially settled electricity based derivatives contracts.
- Publication for comment of CSA Consultation Paper 81-408 *Consultation on the Option of Discontinuing Embedded Commissions* to explore and seek comments on the option of discontinuing embedded commissions and the potential impacts of such a change on Canadian investors and market participants.
- Adoption of National Instrument 94-101 *Mandatory Central Counterparty Clearing of Derivatives* as a rule. The Instrument mandates central counterparty clearing of certain standardized over-the-counter derivatives transactions in order to reduce systemic risk in the derivatives market and increase financial stability.
- Adoption of National Instrument 94-102 *Derivatives: Customer Clearing and Protection of Customer Collateral and Positions* as a rule. The Instrument contains requirements for the treatment of customer collateral by clearing intermediaries and clearing agencies providing services in Canada; requirements relating to the segregation and use of customer collateral that are designed to protect customer collateral; requirements related to record keeping, reporting and disclosure; and requirements relating to the transfer or porting of customer collateral and positions.

- Adoption of amendments to National Instrument 23-101 *Trading Rules* by rule. The amendments lower the active trading fee cap applicable to trading in non-inter-listed securities at \$0.0017 per security traded for an equity security or per unit traded for an exchange-traded fund, if the execution price of the security or unit traded is greater than or equal to \$1.00.
- Adoption of Blanket Order 96-504 *In the matter of Relief from Certain Requirements to Publicly Disseminate Data Under Multilateral Instrument 96-101 Trade Repositories and Derivatives Data Reporting for System Downtimes* to provide blanket relief from the requirement in MI 96-101 to make transaction-level reports available to the public 48 hours after the execution timestamp for the derivative in circumstances where the reports are not made available because the trade repositories' systems are down for scheduled and unscheduled maintenance. The relief is conditional on trade repositories making the transaction-level reports available as soon as technically practical after maintenance has been completed and the system is operating.
- Publication for comment of CSA Consultation Paper 51-404 *Considerations for Reducing Regulatory Burden for Non-Investment Fund Reporting Issuers* to seek comments on potential options to be considered to reduce the regulatory burden associated with both capital raising in the public markets and the ongoing costs of remaining a reporting issuer. The Paper identifies and considers areas of securities legislation applicable to non-investment fund reporting issuers that could benefit from a reduction of undue regulatory burden, without compromising investor protection or the efficiency of the capital market.
- Publication for comment of proposed National Instrument 93-101 *Derivatives: Business Conduct*. The objective of the proposed instrument is to establish a robust investor and derivatives participant protection regime that meets international standards and foreign requirements. Many of the requirements are similar to the existing market conduct requirements applicable to registered advisers and dealers of securities in Canada. The proposed instrument sets out fundamental obligations for over-the-counter derivatives dealers and advisers, including a fair dealing model that contains obligations to identify and respond to conflicts of interest, know-your-derivatives party obligations, and compliance and recordkeeping requirements. For derivatives dealers and advisers working with non-institutional counterparties, the proposed instrument introduces further measures such as a derivatives-specific suitability standard, the requirement to identify derivatives party-specific needs, and disclosure regarding leverage.

- Adoption of proposed amendments to National Instrument 24-101 *Institutional Trade Matching and Settlement* (NI 24-101) and its companion policy by rule relating to the shortening of the standard settlement cycle for equity and long-term debt market trades in Canada from three days after the date of a trade (T+3) to two days after the date of a trade (T+2) as well as to clarify or modernize certain provisions of NI 24-101. The move to a T+2 settlement cycle is intended to correspond with the markets in the United States move to a T+2 settlement cycle.
- Publication for comment of proposed amendments to National Instrument 81-102 *Investment Funds* to remove references to a T+3 settlement cycle and replace them with references to a T+2 settlement cycle as well as address other consequential amendments related to T+2.

Core Area 2 – Policy and Market Regulation Branch

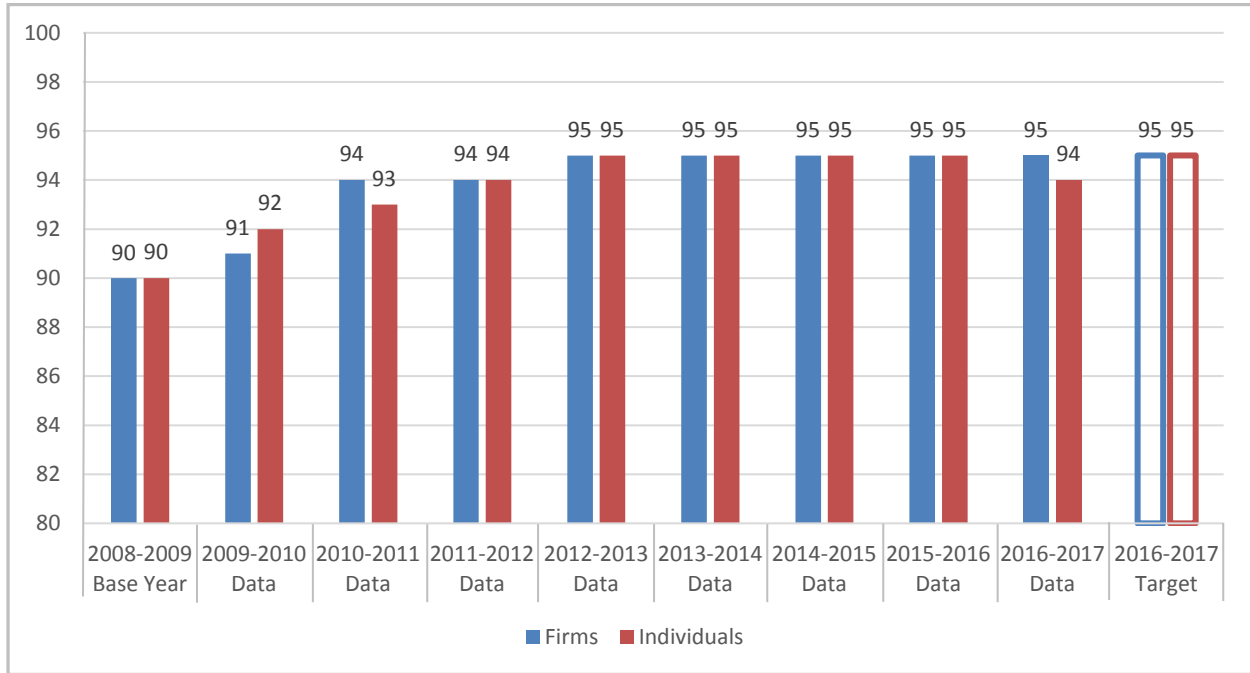
The Policy and Market Regulation branch has three core areas of responsibility: Capital Markets, which relates to the registration and oversight of investment professionals and firms in Nova Scotia; Compliance, which relates to the Commission's review and oversight of the activities of investment professionals and firms in Nova Scotia; and Investor Education, which relates to the Commission's work to improve investors understanding of sound investment practices, ability to recognize questionable products and practices, and awareness of the role of the Commission.

Capital Markets

Outcome: Efficient administration of the registration system

The performance measures indicate how efficiently registration applications are reviewed and processed to enable registrants to carry on business in Nova Scotia. As shown in Chart 5 below, the efficiency of the registration system has steadily increased since 2008-2009 with the implementation of the passport system for registration in September, 2009. We once again met our target for firms and were slightly below target for individual registrations in 2016-2017. The reason for the slight decline in meeting the target for individual registrations was due to the fact that applicants must now obtain their own criminal record check.

Chart 5: Percentage of firm applicants and individual applicants, where the Commission is the principal regulator, who had their applications processed within the mandated timeframes after the final submission of necessary documents



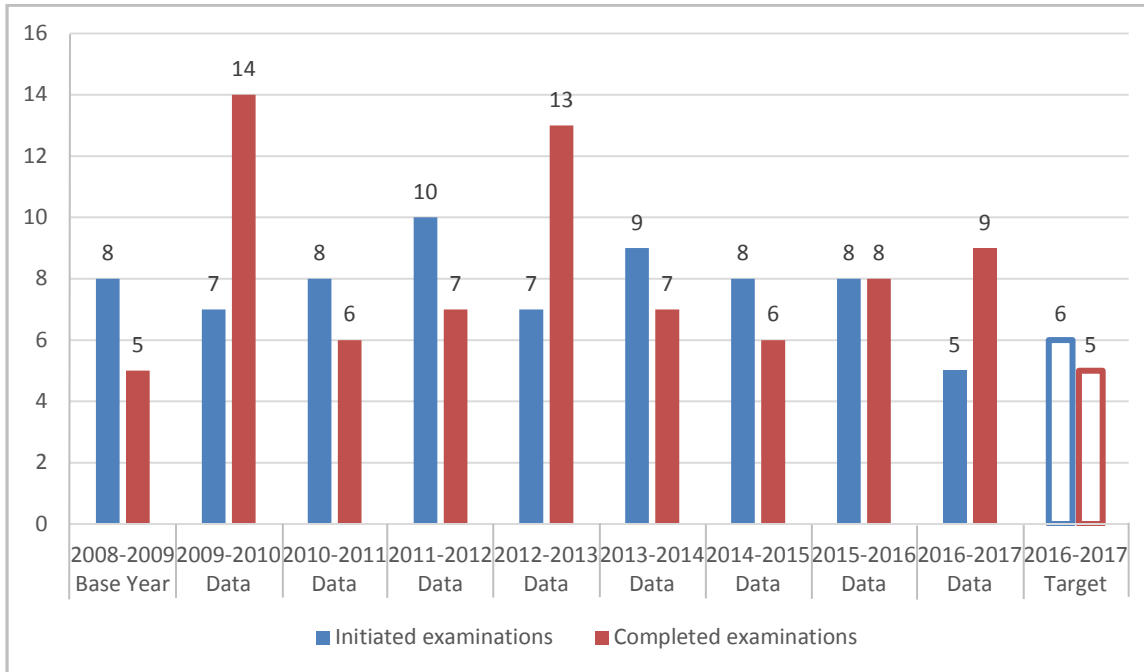
The Commission’s Capital Markets staff also continues to work on several committees of the CSA to provide a voice for the stakeholders of Nova Scotia in the formation of new rules and the ongoing amendment of current rules. Staff also provides specific notice to Nova Scotia-based registered firms when there are significant rule changes.

Compliance

Outcome: Efficient administration of the compliance programs to deter undesirable behavior in capital markets and provide effective investor protection

The performance measures in Chart 6 below reflect the efficiency of the compliance program and the Commission’s effectiveness in requiring registered firms to correct deficiencies in compliance with ongoing registration requirements to ensure that business practices and procedures create a safe environment for meeting their clients’ investment needs and objectives.

Chart 6: Initiated and completed field examinations of Nova Scotia registrants



The priority for the Commission’s compliance operations is to build efficiencies in our compliance program, focusing on activities that will protect investors from unfair and fraudulent practices. Compliance is proactive in nature and, given the appropriate support, can provide a significant return in increased confidence in the Nova Scotia capital market, protection against investor losses and the consequential reduction in enforcement proceedings.

During 2016-2017, the targets for the Commission’s compliance program were reduced to permit more focus on the oversight of the Investment Industry Regulatory Organization of Canada and Mutual Fund Dealers Association of Canada, which are self-regulatory organizations (SROs) recognized in Nova Scotia. Although not stipulated in the Commission’s formal performance measures, an integral part of the Commission’s compliance work is to provide effective and comprehensive oversight of SROs in Nova Scotia. As the investment industry in Nova Scotia is mostly comprised of branch offices of registered firms that are members of SROs, the additional resources have been directed to their oversight to ensure the ongoing confidence in the capital market. While this will result in fewer direct examinations by the Commission, the diligent oversight of the SROs has resulted in higher numbers of firms being examined in Nova Scotia by the SROs and better oversight of the many branch offices located in this jurisdiction.

The Commission’s Compliance staff also continues to work on a number of CSA committees providing jurisdictional input to protect local investor interests, providing a voice for the stakeholders of Nova Scotia and contributing to policy development and harmonization. Compliance staff also work with the North American Securities Administrators Association to develop and provide training on critical and timely examination and compliance issues.

Investor Education

Outcome: Efficient administration of the investor education programs and communication of Commission activities to promote effective investor protection

The goal of the Commission's Investor Education division is to produce engaging and practical investor education programs and to connect with Nova Scotia investors and potential Nova Scotia investors for the purposes of effective investor protection. The performance measures and program examples listed below outline how the Commission is delivering an effective and engaging investor education program, achieving its goal and mandate to educate Nova Scotians on sound investment practices, and give them the knowledge and skills to recognize and identify fraud and questionable investment products and practices.

In 2016-2017, the Commission continued its ongoing plan to continually update and improve the Commission's website to increase the amount and breadth of available education information, maintain and upgrade website security and navigability, and address necessary technological changes. To these ends, the website underwent all necessary security updates and upgrades and backend fixes to allow for easier updates and site maintenance. The "Before You Invest" blog was revamped and relaunched with continually updated content, scheduled weekly or more frequently when needed. Not only was this educational content able to be directed at investors with a wide range of experience and knowledge, but is also provides evergreen content for the website that can be referenced and reused to increase future engagement.

The website continued to be monitored through Google analytics and maintained its effectiveness by holding steady against the benchmark numbers set the previous year. From April 1, 2016, to March 31, 2017, the website averaged just over 2,000 sessions per month, from over 1,300 users. Our bounce rate dropped by 20% and our user duration rate rose by 5%.

The Investor Education division made many in-roads to connect with the public this year through public presentations and events. Through a joint-venture with the CSA, the Commission held public consultation sessions across the province, in Halifax, Yarmouth, and Antigonish, to educate attendees about the Commission, our mandate to protect investors, and to get their feedback and input on working with investment advisers in Nova Scotia. These sessions were well attended and led to media coverage of the events and the Commission's work. The Commission also held a roundtable session with industry participants, including investment advisers, financial planners, lawyers, and others, to get their feedback and input on proposed amendments to enhance the relationship between advisers and their clients and thus enhance investor protection. The Commission also presented in front of community groups, such as the Rotary Club, professional organizations such as CFA Society of Atlantic Canada and students from the Nova Scotia Community College and Saint Mary's University. A new plan to connect the Commission with post-secondary students across the province is being developed and will be implemented next year to address an audience that may be less familiar with the Commission and investing.

Communications Matrix		
Goals	Percentage of Goal Completed in 2016-2017	Actions to Achieve Goals
Outreach to local media to build new and existing relationships	100%	<ul style="list-style-type: none"> - Regularly updated media list to ensure all media outlets and reporters are being reached. - Received regular media inquiries from press releases and successfully pitched media stories on public consultations and Fraud Prevention Month.
Improve investor education online resources	100%	<ul style="list-style-type: none"> - Redesigned and relaunched the “Before You Invest” blog. - Created Question of the Week feature with direct input and feedback from the public. - Created evergreen content on investment fraud, scams, and fraud prevention.
Update Commission website	100%	<ul style="list-style-type: none"> - Made improvement to website security and backend posting software to improve functionality.
Deliver presentations on the Commission and Investor Education topics to diverse audiences	100%	<ul style="list-style-type: none"> - Delivered presentations to community groups, students, and professional organizations, and held public consultations across the province.

Communications Matrix		
Goals	Percentage of Goal Completed in 2016-2017	Actions to Achieve Goals
Maintain traffic of Commission website and increase reach on social media	100%	<ul style="list-style-type: none"> - Tracked user traffic and data for website using Google Analytics. Data shows numbers holding steady from last year and increases in certain areas. - Increased our followers on Twitter and improved social media calendar/posting schedule.
Increase traffic to Commission website	100%	<ul style="list-style-type: none"> - Tracked user traffic for the year through Google analytics. Data shows that website is functioning well.

Providing investor education relating to Nova Scotia's capital markets to help the public to better understand how to raise capital in the exempt markets is a goal that will continue into next year. We will also continue to monitor the new website's effectiveness on an annual basis.

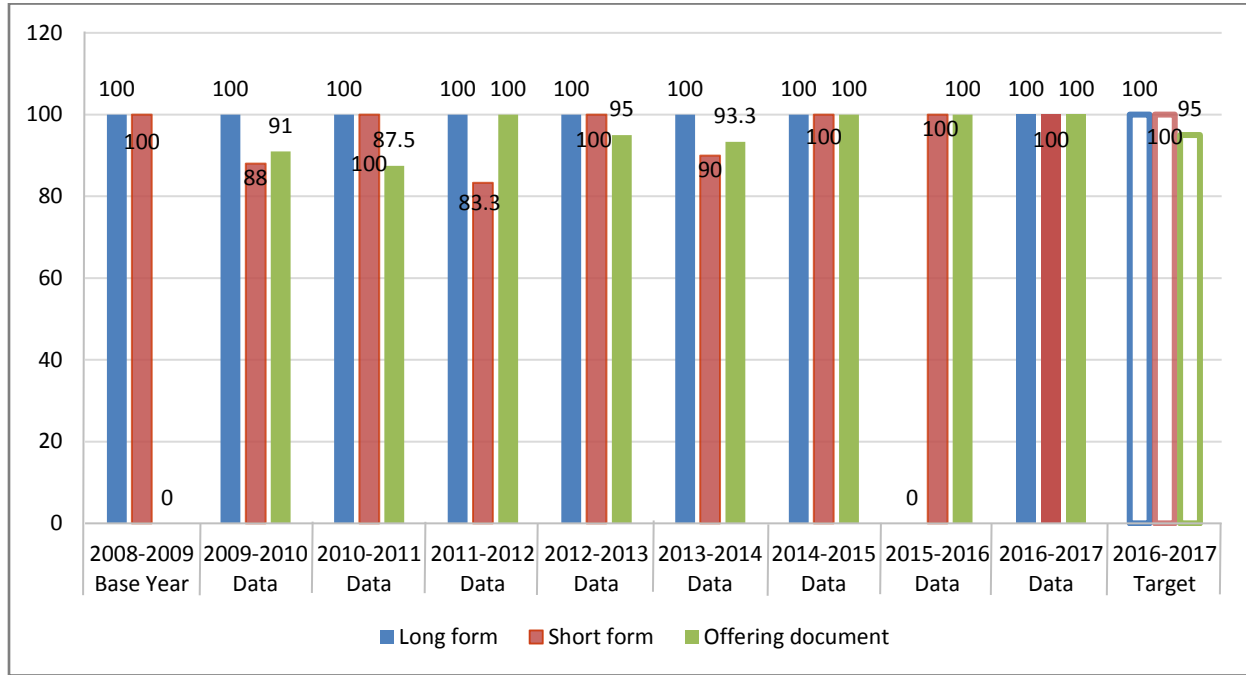
Core Area 3 – Corporate Finance Branch

Outcome: Efficient administration of the prospectus, Community Economic Development Investment Fund and continuous disclosure review systems

The five performance measures set out in Charts 7 and 8 below relate to the timely issuance of a comment, non-objection letter or receipt. These measures demonstrate how efficiently the Corporate Finance branch reviews and processes prospectuses and offering documents filed with the Commission as the principal regulator. When the Director of Corporate Finance issues a receipt for a prospectus or non-objection letter for an offering document, an issuer can proceed to offer its securities to the public. The efficient operations of the Corporate Finance branch help to promote an efficient capital market and economy.

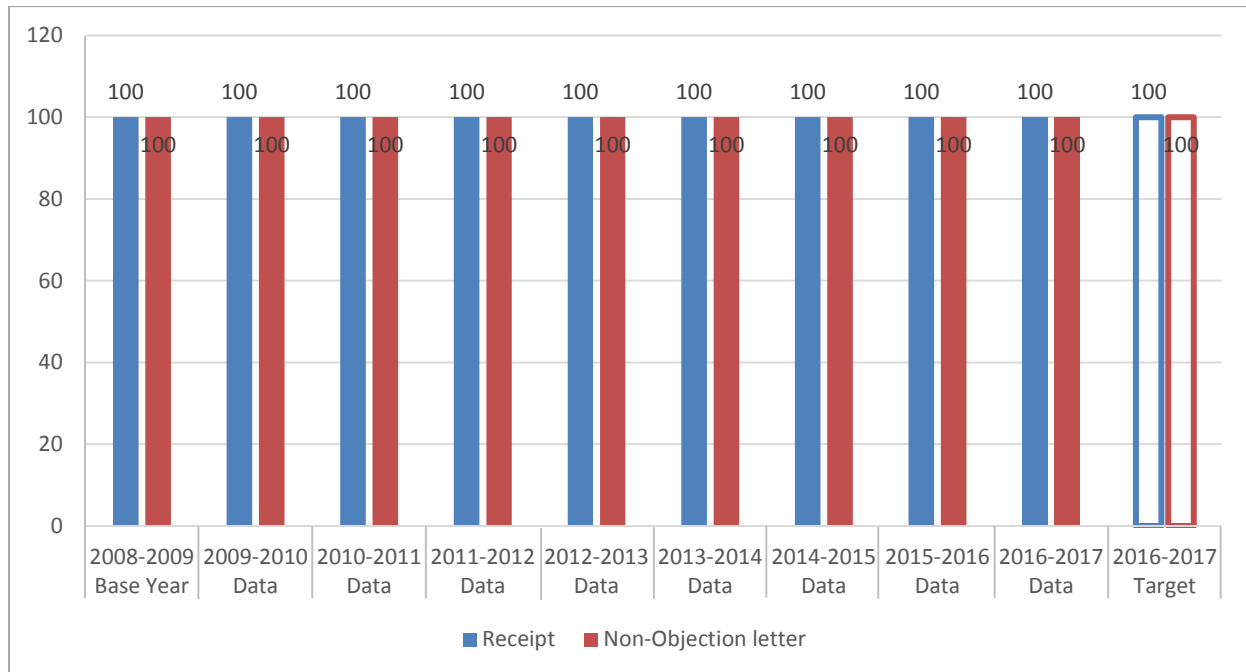
Prospectus issuers with head offices in Nova Scotia raised \$3.30 billion in 2016-2017, while CEDIF issuers raised \$7.4 million.

Chart 7: Percentage of issuers based in Nova Scotia who received a first comment letter for their preliminary long form prospectus, short form prospectus or offering document within CSA mandated timeframes (for long form, 10 days; for short form, five days; and for offering document, 10 days)



*In 2015-2016, no long form prospectuses were filed.

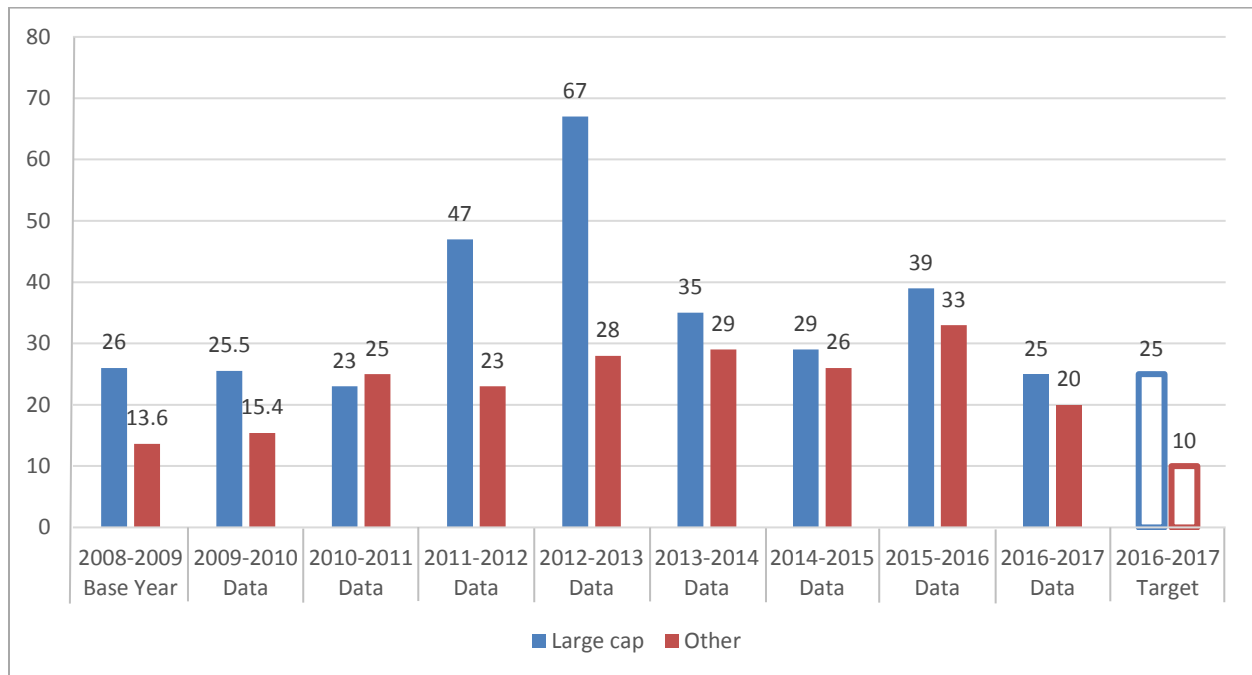
Chart 8: Percentage of issuers based in Nova Scotia who received the receipt for a prospectus or letter of non-objection for an offering document within the mandated timeframes after filing final documents (for receipts, one day; for offering documents, two days)



The Commission’s Corporate Finance staff review public companies’ filings to ensure consistency and uniformity in the information disseminated to the public who make investment decisions based upon that information. In 2016-2017, the Commission completed reviews of public companies’ continuous disclosure in two streams, each based on market capitalization: 1) large capital Nova Scotia head office reporting issuers; and 2) other Nova Scotia head office reporting issuers. Each of these streams reviewed the public companies’ compliance with its filing requirements.

As illustrated in Chart 9 below, the Commission targets to complete continuous disclosure reviews for 25% of Nova Scotia’s large cap public companies and 10% of its other reporting issuers. The reviews met and exceeded the targets in 2016-2017, with Commission staff completing reviews for 25% of Nova Scotia’s large cap public companies and 20% of its other reporting issuers.

Chart 9: Percentage of reporting issuers based in Nova Scotia that had a review of their continuous disclosure filings in the year



*In 2011-2012 & 2012-2013, the focus of reviews was for compliance with International Financial Reporting Standards (IFRS). The other periods reflect full continuous disclosure reviews.

In order to promote the efficient and timely issuance of cease trade orders for companies that fail to file financial statements as required by securities law, in 2012-2013 the Commission delegated to the Director of Corporate Finance the authority to issue cease trade orders in certain limited situations where a reporting issuer or a CEDIF has failed to file its financial statements. In 2014, to further reduce administrative requirements, the Commission removed the requirement to hold a hearing for failing to file documents. This enhancement to the new process has improved the

efficiency and responsiveness of our Corporate Finance branch and allowed Commission resources to be more effectively utilized. In 2016-2017, the Director of Corporate Finance issued four cease trade orders for failure to file financial and associated disclosure within mandated timeframes. Three of these cease trade orders remain in force.

Corporate Finance staff also continued their CSA committee work on venture issuer regulation, derivatives, investment funds, rights offerings, reciprocal cease trade orders, electronic filing of exempt trade reports, crowdfunding and offering memorandum exemptions, and pursued, when possible, further harmonization with other jurisdictions of policies and procedures to continue to streamline Corporate Finance operations.

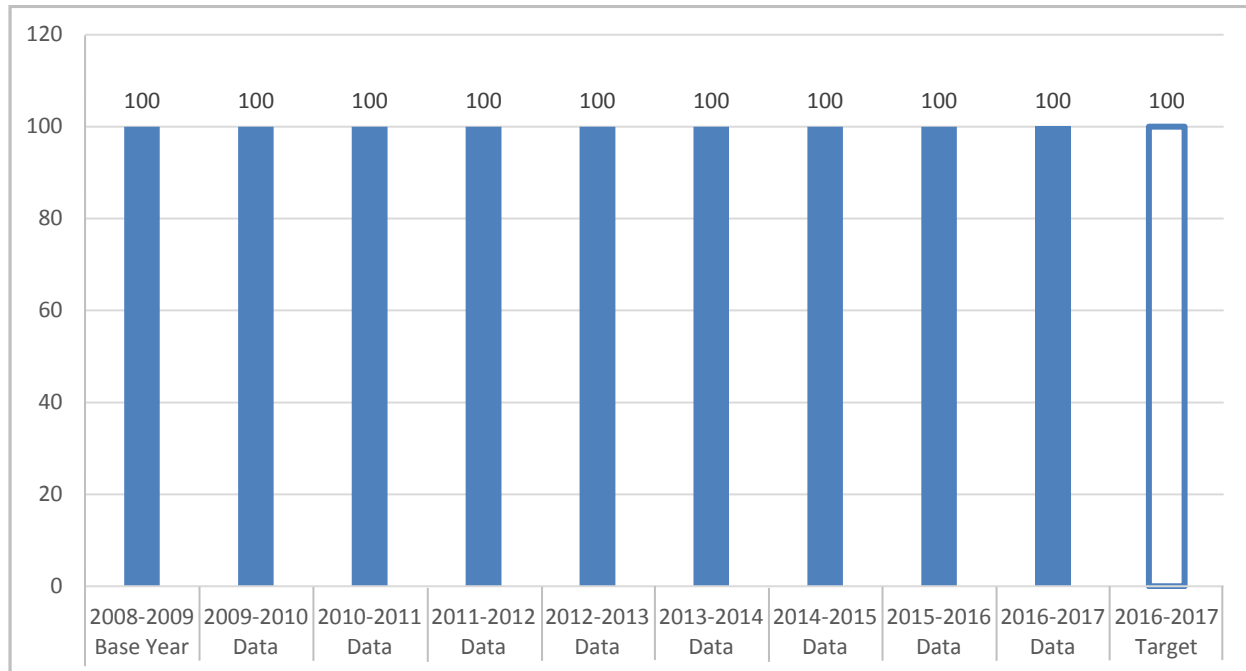
Core Area 4 – Enforcement Branch

Outcome: Efficient administration of enforcement programs to deter undesirable behavior in capital markets and provide effective investor protection

The performance measures enable Commission staff to decisively detect and disrupt market practices and misconduct that pose a danger to the investing public and bring cases for prosecution in hearings before the Commission when such actions are appropriate.

As illustrated in Chart 10 below, the Enforcement branch has consistently met its three-day target for reviewing and confirming initial assessments of each complaint received.

Chart 10: Percentage of complaints referred by Enforcement staff to Director of Enforcement for review and confirmation of initial assessment of each complaint within three (3) days of receipt of complaint

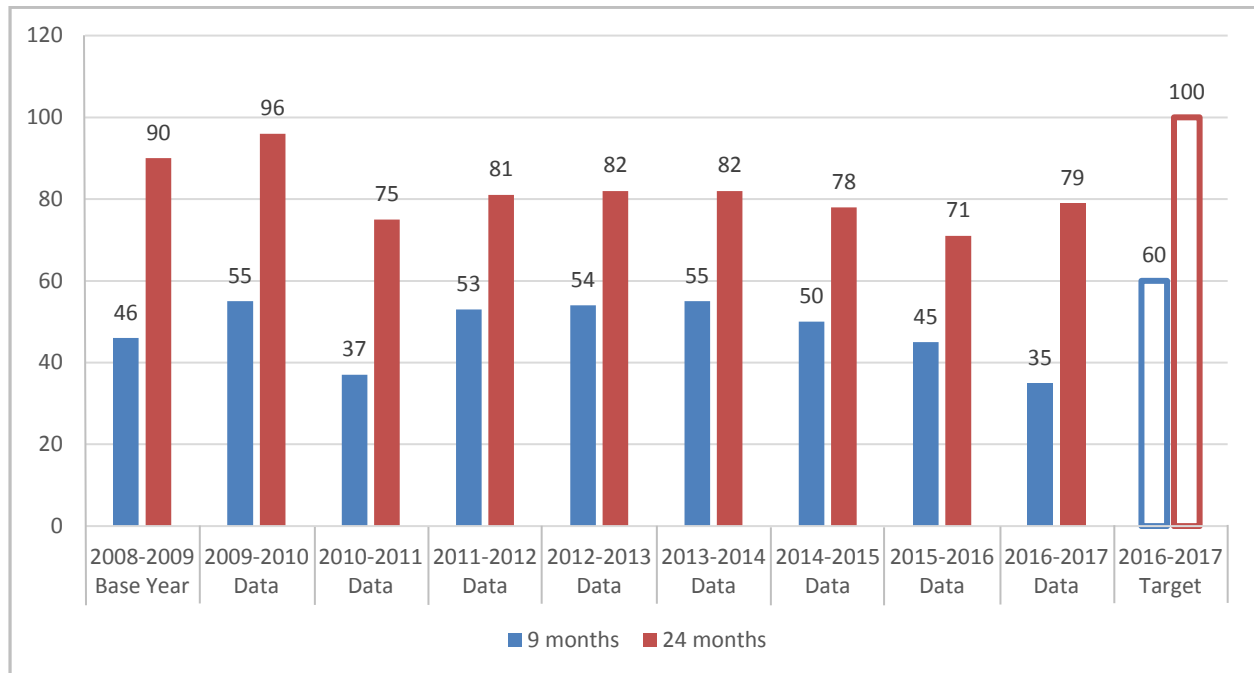


(*Please note that historically Enforcement Branch data was reported on a calendar year basis, however, to harmonize reported data, Enforcement data will be reported on a fiscal year basis going forward.)

In the 2016-2017 fiscal year, the Enforcement branch received 86 complaints of which 43 were opened as investigation files. The remaining 43 were identified as unactionable inquiries. A significant amount of staff time and branch resources are expended in responding to all complaints including those that do not result in Enforcement action and therefore no file is opened. The Commission concluded one case against multiple respondents, resulting in the issuance of \$7,500 in administrative fines and \$500 in cost recoveries.

Fifty-six investigation files were concluded in 2016-2017. Of those 56 files, 20 files, or 35%, were concluded within the first nine months of commencing the investigations and 44 files, or 79%, of all investigation files were concluded within 24 months of commencing the investigation. Chart 11 below depicts a slight decline in the percentage of investigations concluded as metrics require that 60% of all investigations be concluded within 6 months and 100% of all investigations be concluded within 24 months.

Chart 11: Percentage of investigations concluded and reported on by Enforcement staff to Director of Enforcement based on: 1) 60% of investigations within nine months; and 2) all investigations within 24 months

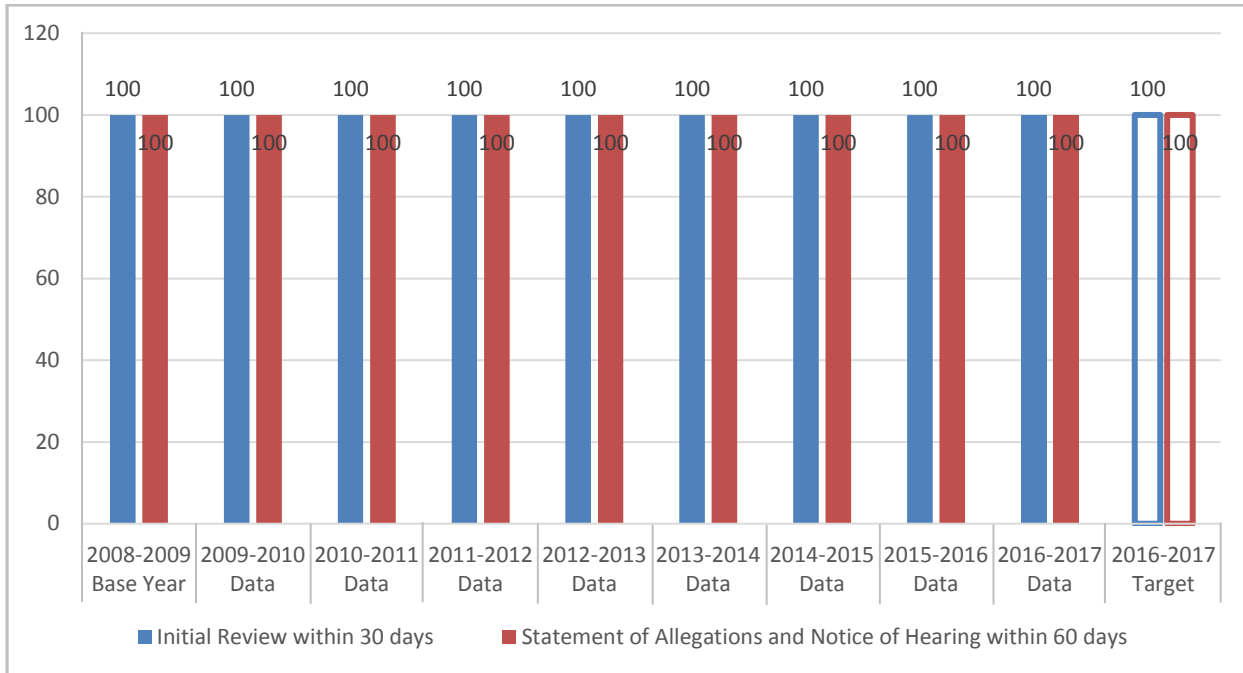


In 2016-2017, the Enforcement branch continued to refine the online enforcement complaint system accessible through the Commission’s website. This system facilitates public access to the Commission’s enforcement services while providing the public a tool for making complaints and Enforcement a tool for information gathering.

The timely conclusion of Enforcement litigation files requires the achievement of two key benchmarks once a file has been referred to Enforcement counsel following investigation: 1) the completion of an initial review within 30 days; and 2) the issuance of a Statement of Allegations

and Notice of Hearing within 60 days. Chart 12 below illustrates that the Enforcement branch continues to meet its target with respect to these two benchmarks.

Chart 12: Percentage of files where enforcement counsel: 1) completed initial review of investigation files referred to counsel and provided a written response within 30 days; and 2) initiated issuance of a Statement of Allegations and Notice of Hearing within 60 days of referral and conclusion of negotiations



Enforcement staff continue to participate in CSA committee work to harmonize investigative and litigation methods, to streamline and standardize procedures to better utilize resources and expedite complaint resolution. Examples of this are the development of electronic disclosure policies and procedures, methodology for investigating insider trading and market manipulation, and development of litigation training for CSA member staff.

Appendix A

Annual Report under Section 18 of the Public Interest Disclosure of Wrongdoing Act

The *Public Interest Disclosure of Wrongdoing Act* (the Act) was proclaimed into law on December 20, 2011.

The Act provides for government employees to be able to come forward if they reasonably believe that a wrongdoing has been committed or is about to be committed and they are acting in good faith.

The Act also protects employees who do disclose from reprisals, by enabling them to lay a complaint of reprisal with the Labor Board.

A wrongdoing for the purposes of the Act is:

- a) a contravention of provincial or federal laws or regulations,
- b) a misuse or gross mismanagement of public funds or assets,
- c) an act or omission that creates an imminent risk of a substantial and specific danger to the life, health or safety of persons or the environment, or
- d) directing or counselling someone to commit a wrongdoing.

Table A.1

The following is a summary of disclosures received by the Commission

Information Required under Section 18 of the Act	Fiscal Year 2016-2017
The number of disclosures received	Nil
The number of findings of wrongdoing	Nil
Details of each wrongdoing	N/A
Recommendations and actions taken on each wrongdoing	N/A