



SECURITIES  
COMMISSION

Business Plan 2018-2019

## **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 as well as 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 19 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 (the CSA) to facilitate capital formation while providing investor protection. As key strategies affecting our Core Activities in 2018-2019, 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 also develop an interface with the proposed national cooperative Capital Markets Regulatory Authority.

In addition, the Commission is reviewing the exempt market in Nova Scotia with the objective of enhancing investor protections while maintaining market efficiency.

The Commission's activities are consistent with the Nova Scotia Government's priority of economic growth.

### **National Electronic Filing System**

The members of the CSA have undertaken the development of a new comprehensive web-based electronic filing program. All securities legislation, regulations, and rules must be reviewed and, if necessary, amended prior to the implementation of the new system on a phase-by-phase basis. 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 national systems that will be replaced by the new system are:

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**

The consultation period for this initiative concluded in the previous fiscal year. The next phase of the project is to review and assess the comments received.

This initiative focuses 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.

### **Review of the Exempt Market in Nova Scotia**

This Commission initiative involves the following:

1. Reviewing the regulations and rules applicable to Community Economic Development Corporations in Nova Scotia to harmonize and update the regulatory requirements with other securities requirements applicable to capital raising.
2. Reviewing and analyzing trade data for exempt distributions in Nova Scotia.

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

This initiative will continue to focus on the following:

1. Exploring targeted reforms to securities regulations to improve the client-registrant relationship, such as 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.
2. Exploring the option and potential impact of discontinuing embedded commissions in securities products and transitioning to direct pay arrangements by 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 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:<sup>1</sup>

- Licensing of securities industry professionals (2,528 in 2016-17);
- Reviewing prospectuses in connection with proposed public offerings of securities (11 in 2016-17) and continuous disclosure (8 in 2016-17) <sup>2</sup> from Nova Scotia's public companies;
- Reviewing offering documents (16 in 2016-17) 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;

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<sup>1</sup> As the 2017-18 fiscal year has not yet ended, statistics relate to fiscal 2016-17.

<sup>2</sup> Where the Commission is the principal regulator.

- 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.

Reactive:

- Reviewing and adjudicating on exemption applications from the requirements of Nova Scotia securities laws (5<sup>3</sup> and 23<sup>4 5</sup> in 2016-17); and
- Responding to inquiries (38 in 2016-17) and investigating complaints from the public (39 in 2016-17) and carrying out fair and timely enforcement of Nova Scotia securities laws to prevent and deter unlawful activities.

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<sup>3</sup> Where the Commission was the principal regulator.

<sup>4</sup> Where the Commission was not the principal regulator.

<sup>5</sup> 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 as a non-principal regulator has declined compared to prior years.