



SECURITIES COMMISSION

Annual Plan 2022-2023

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## 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 \$3.0 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 2022-23*

#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 young investors and

seniors), and will also focus on emerging issues affecting retail investors that include:

- an increased interest in “DIY” investing;
  - the “meme stock” phenomenon, related pump-and-dump schemes and unreliable stock market promotion in social media;
  - a proliferation of scams involving crypto assets; and
  - the registration of crypto asset trading platforms.
- The Commission will continue to work in collaboration with the CSA to improve the client-registrant relationship by:
    - working to ensure a smooth implementation of rule amendments relating to conflicts of interest, know-your-client (KYC), know-your-product (KYP), suitability, and relationship disclosure information;
    - 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, and the use of titles and designations;
    - ensuring the efficient implementation of rule amendments intended to mitigate investor harms arising from the use of deferred sales charge purchase options and the discontinuance of the payment of trailing commissions by fund organizations to dealers who do not provide suitability advice; and
    - monitoring the implementation of the regulatory framework to address financial exploitation and cognitive impairment among older and vulnerable investors, which includes 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 work with the CSA to strengthen the Ombudsman for Banking Services and Investments as an independent dispute resolution service provider by developing and recommending a binding authority framework that is fair, efficient and accessible for investors and firms.
  - 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 pursue front-end disruption of activities that violate Nova Scotia securities laws, including by seeking the removal of online public solicitations for investments through social media and other advertising services.
- 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.
- The Commission will continue to explore and enhance its use of technology and virtual tools to assist in the advancement of investigations and hearings to ensure enforcement matters are not detrimentally impacted by extraneous circumstances, including the COVID-19 pandemic.

**#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 and retaining 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 work with the CSA to reform the existing self-regulatory organizations (SRO) into a new, single SRO

to simplify the structure for investors seeking redress, to adopt consistent rules among categories of registrants and to reduce duplication for firms. The present timetable has the corporate restructuring (including obtaining the necessary member approvals) being completed and the new SRO created by the end of calendar 2022.

- The Commission will continue to work with the CSA to implement an enhanced regulatory regime for over-the-counter derivatives, including a business conduct regime and enhanced changes for trade reporting.
- The Commission will continue to work with the CSA to implement enhanced disclosure requirements for the offering memorandum prospectus exemption for real estate and collective investment vehicles.
- The Commission will continue to work with the CSA to implement new disclosure requirements for climate change and diversity matters.
- The Commission will continue to participate on and 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 flexible process.
- The Commission will continue to participate in CSA initiatives to register and oversee crypto asset trading platforms through a CSA Task Force that reviewed and approved six such platforms by December 31, 2021 and expects to review and approve at least that many in 2022-23.
- The Commission will work with the CSA to create a CSA Investor Advisory Panel that is meant to address investor advocates' demands for opportunity for input in CSA policy initiatives, as well as to improve the quality and diversity of the input the CSA receives from a retail investor perspective.
- The Commission will continue to review and seek comment on the rules applicable to Community Economic Development Corporations in Nova Scotia and will update the regulatory requirements to be consistent with policy developments and in

harmonization with other securities requirements applicable to capital raising exemptions.

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

**Goal:** The Commission will continue to work with the CSA to address regulatory burden reduction for a broad range of market participants, including large and small issuers, 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 continue to work on developing and implementing changes to certain capital raising and continuous disclosure rules to reduce duplication and regulatory burden, including the rules for alternative prospectus forms and guidance on primary businesses.
- The Commission and the CSA will continue to work on developing and implementing changes to prospectus disclosure requirements for investment funds to reduce duplication and regulatory burden, including extending the timeline to file a prospectus and alternative forms of delivery of prospectus and continuous disclosure documents.
- 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, market participants and the public 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

The Commission had been 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 (CMAIO) to implement a Cooperative Regulator. On April 1, 2021, the CMAIO announced that it had paused its efforts indefinitely.

Dated: March 29, 2022.

## Appendix A

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

### Proactive:<sup>1</sup>

- Licensing of securities industry professionals (2,218 in 2020-21);
- Reviewing prospectuses in connection with proposed public offerings of securities (10 in 2020-21) and continuous disclosure (8 in 2020-21)<sup>2</sup> by Nova Scotia's public companies;
- Reviewing offering documents (3 in 2020-21) prepared by issuers pursuant to the Community Economic Development Corporations Regulations;
- Carrying out targeted compliance reviews (6 in 2020-21) 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.

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<sup>1</sup> As the 2021-22 fiscal year has not yet ended, statistics relate to fiscal 2020-21.

<sup>2</sup> 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 (4 in 2020-21) and where the Commission was part of a coordinated review but was not the principal regulator (5 in 2020-21);
- Issuing cease trade orders for failure to comply with Nova Scotia securities laws' continuous disclosure requirements (2 in 2020-21); and
- Responding to and investigating complaints from various sources (163 in 2020-2021)<sup>3</sup> 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> The fiscal year opened with 57 active investigations. 106 new matters were responded to and investigated.

## Budget Context

Nova Scotia Securities Commission			
	2021-22 Estimate	2021-22 Forecast	2022-23 Estimate
Programs Expenses	(\$thousands)	(\$thousands)	(\$thousands)
Salaries	2,295	2,138	2,292
Operating Costs	690	816	728
<b>Gross Expenses</b>	<b>2,985</b>	<b>2,954</b>	<b>3,020</b>
Less: Chargeable to Other Departments	0	0	0
<b>Total Program Expenses</b>	<b>2,985</b>	<b>2,954</b>	<b>3,020</b>
<b>Additional Information:</b>			
Ordinary Revenue	21,550	21,553	22,197
Fees and Other Charges	0	81	0
Ordinary Recoveries	0	0	0
<b>Provincial Funded Staff (FTEs) Net</b>	<b>19.0</b>	<b>18.0</b>	<b>19.0</b>