



## **SECURITIES COMMISSION**

Annual Business Plan 2023-2024

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## Mandate

The Nova Scotia Securities Commission (the Commission) is an independent regulatory authority and 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 by:

- establishing rules and policies relating to the regulation of the securities industry in Nova Scotia, including participating in coordinated policy development with other Canadian securities regulators;
- licensing securities industry professionals and conducting compliance reviews of market participants registered in Nova Scotia;
- reviewing prospectuses and offering documents in connection with public offerings of securities;
- investigating complaints from the public and enforcing Nova Scotia securities laws; and
- educating 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 and, where warranted, 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. The CSA is an umbrella organization under which the Provincial and Territorial securities regulators work together to foster national harmonization, investor protection, effective enforcement, and regulatory burden reduction.

## Priorities for 2023-24

- #1**
- Outcome:** Enhanced protection of Nova Scotian investors.
- Goal #1:** Investor protection will be enhanced through front-end initiatives to reduce the need for taking 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:**

- Promote and employ investor education initiatives aimed at targeted audiences (including young investors and seniors), and focus on emerging issues affecting retail investors that include:
  - an increased interest in “DIY” investing;
  - online securities and derivatives-related fraud, pump-and-dump schemes, and unreliable solicitations and stock market promotion in social media;
  - a proliferation of scams involving crypto assets; and
  - the registration of crypto asset trading platforms.
  
- Continue to work in collaboration with the CSA to improve the client-registrant relationship by:
  - ensuring a smooth implementation of rule amendments relating to conflicts of interest, know-your-client (KYC), know-your-product (KYP), suitability, and relationship disclosure information;
  - reviewing and enhancing other registrant 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;
  - as part of the regulatory framework to address financial exploitation and cognitive impairment among older and vulnerable investors, providing advisers and their firms with tools and guidance regarding their ability to disclose information and placing temporary holds on funds or securities owned by older or vulnerable clients when there is a reasonable belief of financial exploitation or cognitive impairment;
  - strengthening 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; and
  - sharing information, coordinating enforcement activities, and developing and implementing a data repository that has analytic tools to enhance enforcement effectiveness, including crypto asset, insider trading and market manipulation investigations. The platform will also expedite focused policy research and aid in investigating more sophisticated and complex cases.
  
- Monitor and track behaviors in the Nova Scotia market and publish cautions and alerts to notify Nova Scotians about high-risk investment schemes, activities in violation of registration requirements and potentially fraudulent activities.

- Pursue front-end disruption of activities that violate Nova Scotia securities laws, including seeking the removal of online public solicitations for investments through social media and other advertising services.
- Pursue efforts to collaborate with border authorities, the Nova Scotia Public Prosecution Service and the RCMP relating to the Commission's enforcement activities.
- Explore and adopt technology and virtual tools to assist in the advancement of investigations and hearings to ensure enforcement matters are effectively and efficiently advanced.

## #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:**

- Ensure that continued expertise and analytical capacity is available by hiring and retaining professional staff with specialized skills and experience, and through training and professional development.
- Explore and implement technological tools to address emerging trends and improve efficiencies.
- Collaborate with the CSA jurisdictions by:
  - identifying and responding to emerging issues and threats, and coordinating expertise to minimize and deter threats to capital markets and investors;
  - completing the post-closing transition from the existing self-regulatory organizations (SROs) into a new, single SRO to simplify the structure for investors seeking redress, including adopting consistent rules among the categories of registrants and reducing duplication for firms;
  - implementing an enhanced regulatory regime for over-the-counter derivatives, including a business conduct regime and enhanced changes for trade reporting;
  - developing and implementing new disclosure requirements for climate change, diversity matters, and policies regarding reporting issuers using promotional activities and advisers;
  - participating on and working 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; and

- participating in CSA initiatives to register and oversee crypto asset trading platforms through a CSA Task Force that reviewed and approved ten such platforms by December 31, 2022, and expects to review and approve at least that many in 2023-24.
- 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:**

- Develop and implement changes to certain capital raising and continuous disclosure rules to reduce duplication and regulatory burden, including:
  - amendments to the shelf prospectus system for large well-known seasoned reporting issuers; and
  - changes to prospectus disclosure requirements for investment funds, such as extending the timeline to file a prospectus and authorizing alternative forms of delivery of prospectus and continuous disclosure documents.
- Continue to work on the development and implementation of a comprehensive web-based national filing system and the related amendments to securities regulations and rules. 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. The initial phase, which will replace the SEDAR filing system, is expected to launch in June 2023.

## 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.

Dated: March 23, 2023.

## 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 (2,502 in 2021-22);
- Reviewing prospectuses in connection with proposed public offerings of securities (10 in 2021-22) and continuous disclosure (12 in 2021-22)<sup>2</sup> by Nova Scotia's public companies;
- Reviewing offering documents (8 in 2021-22) prepared by issuers pursuant to the Community Economic Development Corporations Regulations;
- Carrying out targeted compliance reviews (6 in 2021-22) 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.
- Publishing alerts and cautions to warn investors about issuers and promoters known to be or suspected of offering unlawful investment schemes to Nova Scotia residents.

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<sup>1</sup> As the 2022-23 fiscal year has not yet ended, statistics relate to fiscal 2021-22.

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

### Reactive<sup>3</sup>:

- Reviewing and adjudicating exemption applications from the requirements of Nova Scotia securities laws where the Commission was the principal regulator (1 in 2021-22) and where the Commission was part of a coordinated review but was not the principal regulator (24 in 2021-22);
- Issuing cease trade orders for failure to comply with Nova Scotia securities laws' continuous disclosure requirements (1 in 2021-22); and
- Responding to and investigating complaints from various sources (122 in 2021-2022)<sup>4</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> As the 2022-23 fiscal year has not yet ended, statistics relate to fiscal 2021-22.

<sup>4</sup> The fiscal year opened with 42 active investigations. 80 new matters were responded to and investigated.



## Budget Context

Nova Scotia Securities Commission			
	2022-23 Estimate	2022-23 Forecast	2023-24 Estimate
<b>Programs Expenses</b>	(\$thousands)	(\$thousands)	(\$thousands)
Administration	3,020	2,970	3,106
<b>Total Program Expenses</b>	<b>3,020</b>	<b>2,970</b>	<b>3,106</b>
<b>Additional Information:</b>			
Ordinary Revenue	22,197	22,325	22,419
Fees and Other Charges	0	0	0
Ordinary Recoveries	0	0	0
<b>Provincial Funded Staff (FTEs) Net</b>	<b>19.0</b>	<b>17.9</b>	<b>19.0</b>