



## **SECURITIES COMMISSION**

Annual Business Plan 2024-2025

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## MESSAGE FROM THE CHAIR AND CEO

Throughout 2023-24 investors were bombarded with information, misinformation and disinformation, about riches promised through crypto asset speculation, online gambling, do-it-yourself investing and get-rich-quick investment tips and schemes. Many of the investor scams are enabled by advanced technology, allowing bad actors to communicate with Nova Scotia investors from foreign jurisdictions beyond the reach of law enforcement and securities regulators. Such scams are increasingly perpetrated by well-funded criminal organizations aided by behavioral science expertise. We expect this to continue with the added danger of artificial intelligence.

As a securities regulator, we have sought, and will continue in 2024-25 to seek, new ways to identify, monitor and disrupt communications from these bad actors. This will involve acquiring and developing new technology tools, as well as providing investor education and issuing investor warnings and cautions to bring awareness to Nova Scotians so that they avoid falling prey to these scams. The Commission reaches investors through its website, RSS feed, blogs, social media accounts and press releases, as well as in-person presentations at schools, libraries, colleges and retirement seminars. Occasionally we have a broad media take-up as we did in January, 2023 with a headline about “Pig-Butchering” scams that victimized a number of Nova Scotians. We will continue to seek to reach as many Nova Scotians as possible with warnings and information on spotting and avoiding such scams.

Commission staff will continue in the coming year to be active in research, policy development, training and enforcement committees with other Canadian Securities Administrators (CSA) members (Provincial and Territories securities regulators). This collaboration gives our jurisdiction access to the CSA's enhanced expertise and resources, and a forum to develop largely harmonized securities regulations. As Chair, I am able to provide Nova Scotia perspectives and learn of others' through bi-weekly CSA policy discussions and quarterly in-person meetings of the chief executives of the CSA jurisdictions.

Broad themes of projects to be pursued in 2024-25 include following up to ensure that the rules enacted to improve the client-advisor relationship are being followed by advisors; continuing the evolution of a model for registration of crypto asset trading platforms; updating rules for disclosure by reporting issuers on environmental, social and governance matters with an emphasis on climate and diversity; regulating promotional activities in relation to reporting issuers; and using technology to reduce costs to industry and deliver benefits to investors.

Undoubtedly there will be unexpected events this year temporarily diverting attention, but I expect significant progress will be made on the key policy projects noted above and our enforcement and investor education groups will continue to combat illegal activities and fraud.

Paul E. Radford, K.C.  
Chair and Chief Executive Officer

## MANDATE

The Nova Scotia Securities Commission (the Commission) is an independent regulatory authority and quasijudicial 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;
- monitoring local media and social media platforms for evidence of potential fraud and other illegal activities;
- investigating complaints from the public and from Canadian and international regulators 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 \$3.1 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 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 2024-2025

**Goal #1:** Enhance front-end initiatives to reduce the need for taking enforcement action after irreversible losses occur.

**Goal #2:** Monitor for, identify and investigate securities market violations and take enforcement action to terminate and deter unlawful conduct in Nova Scotia.

**Outcome:** Enhanced protection of Nova Scotia investors.

## 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 derivative-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.
- In collaboration with the CSA, work to improve the client-registrant relationship by:
  - ensuring rule amendments relating to conflicts of interest, know-your-client (KYC), know your product (KYP), suitability and relationship disclosure information (the Client Focused Reforms) are followed by registrants;
  - reviewing National Instrument 81-105 *Mutual Fund Sales Practices* to determine if amendments are necessary in light of the Client Focused Reforms, including considering amendments to clarify the circumstances in which a principal distributor model should be available;
  - reviewing and enhancing other registrant obligations related to proficiency as well as the use of titles and designations; and
  - 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.
- Share information and coordinate enforcement activities to enhance enforcement effectiveness against crypto asset scams, fraud, insider trading and market manipulation.
- Monitor and track behaviors in the Nova Scotia market and publish cautions and alerts to notify Nova Scotians about improbable high-return and no-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 and other government law enforcement agencies, such as 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.

**Goal #3:** Address emerging issues and trends that affect Nova Scotians.

**Outcome:** Changes in the capital markets and regulatory regime are addressed in a timely manner.

- Actions:**
- Explore and implement technological tools to monitor emerging trends and improve efficiencies and evidence gathering.
  - Ensure that continued expertise and analytical capacity is available by hiring and retaining professional staff with specialized skills and experience, through training and professional development.
  - Collaborate with the CSA jurisdictions by:
    - identifying and responding to emerging issues and threats, including those likely to develop from artificial intelligence, and coordinating efforts and expertise to minimize and deter threats to capital markets and investors;
    - completing the implementation of the Canadian Investment Regulatory Organization (CIRO), a single self-regulatory organization, 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 trade reporting changes;
    - developing and implementing new disclosure requirements for reporting issuers on environmental, social and governance disclosures and practices, including sustainability standards for climate related matters and diversity on boards and in executive management;
    - investigate and develop rules and policies regarding reporting issuers' and promoters' conduct and promotional activities;
    - reviewing the early warning reporting regime to determine if amendments are necessary, including regarding the appropriate scope and timing of disclosure requirements concerning equity derivatives, acquirers' plans and future intentions, and the five percent market purchase rule for bidders while a take-over bid is outstanding;
    - participating on the CSA Task Force that oversees the registration of crypto asset trading platforms in Canada, including developing rules and policies for safe custody of digital assets, strengthening bankruptcy protection, stablecoin requirements, insurance and proficiency and trustworthiness measures for ownership and management.
  - Incorporate Indigenous issues and perspective in policy and rule development in coordination with other CSA members.
  - Continue to review and seek comment on the rules applicable to Community Economic Development Corporations in Nova Scotia and update the

regulatory requirements to be consistent with policy developments and in harmonization with other securities requirements applicable to capital raising exemptions.

**Goal #4:** Continue to work with the CSA to reduce regulatory burden for market participants and ensure requirements are appropriate, necessary, and relevant to capital market participants in Nova Scotia.

**Outcome:** Regulatory burden on securities industry participants is reduced.

- 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 issues;
    - changes to prospectus disclosure requirements for investment funds, such as extending the timeline to file a prospectus; and
    - alternative forms of delivery of prospectus and continuous disclosure documents.
  - Continue to develop and enhance SEDAR+, a comprehensive web based national filing system, to replace the aging standalone IT programs used by the CSA members and market participants, and identify other potential uses of such technology to benefit issuers and investors. The initial phase of SEDAR+ launched in July 2023 and replaced the SEDAR filing system.

## 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: February 29, 2024

## 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 (3,641 in 2022-23);
- Reviewing prospectuses in connection with proposed public offerings of securities (7 in 2022-23) and continuous disclosure (12 in 2022-23)<sup>2</sup> by Nova Scotia's public companies;
- Reviewing offering documents (7 in 2022-23) prepared by issuers pursuant to the Community Economic Development Corporations Regulations;
- Carrying out targeted compliance reviews (7 in 2022-23) of investment industry firms registered in Nova Scotia and investment industry professionals;
- Overseeing the work of the Canadian Investment Regulatory Organization involved in the protection of Canadian investors in Nova Scotia;
- 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;
- Engaging in early disruption efforts and information sharing on both a local and national level;
- 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;
- Monitoring media and social media content available to Nova Scotians for potential fraudulent and other illegal investment solicitation activities;
- Ensuring timely and responsible execution of the Commission's core responsibilities; and
- Researching and surveying needs and priorities to adjust regulation to new developments and technologies.

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<sup>1</sup> As the 2023-24 fiscal year has not yet ended, statistics relate to fiscal 2022-23.

<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 2022-23) and where the Commission was part of a coordinated review but was not the principal regulator (12 in 2022-23);
- Issuing cease trade orders for failure to comply with Nova Scotia securities laws' continuous disclosure requirements (0 in 2022-23); and
- Responding to and investigating complaints from various sources (154 in 2022-2023)<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 2023-24 fiscal year has not yet ended, statistics relate to fiscal 2022-23.

<sup>4</sup> The fiscal year opened with 58 active investigations. 96 new matters were responded to and investigated.

## BUDGET CONTEXT

<b>Nova Scotia Securities Commission</b>			
	<b>2023-24 Estimate</b>	<b>2023-24 Forecast</b>	<b>2024-25 Estimate</b>
<b>Programs Expenses</b>	(\$thousands)	(\$thousands)	(\$thousands)
Administration	3,106	3,106	3,271
<b>Total Program Expenses</b>	<b>3,106</b>	<b>3,106</b>	<b>3,271</b>
<b>Additional Information:</b>			
Ordinary Revenue	22,419	22,451	22,643
Fees and Other Charges	0	5	0
Ordinary Recoveries	0	0	0
<b>Provincial Funded Staff (FTEs) Net</b>	<b>19.0</b>	<b>18.5</b>	<b>20.0</b>