



Securities Commission

Annual Accountability Report  
for the Fiscal Year 2015 – 2016

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## Accountability Statement

The Accountability Report of the Nova Scotia Securities Commission (the Commission) for the year ended March 31, 2016, is prepared pursuant to the *Finance Act* and government policies and guidelines. These authorities require the reporting of outcomes against the Commission's Statement of Mandate 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 2015-2016 Statement of Mandate.

"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 2015-2016 Statement of Mandate which is available on the Commission's website.

I am pleased to report that over the past year, the Commission has achieved all but three of the targets. This success is a credit to the expertise and committed work of the Commission's experienced staff.

As in years past, we have fulfilled our mandate with a close attention to fiscal responsibility. Our revenues for 2015-2016 increased by 11.5%, or \$2.038 million, from the prior year to \$19.815 million. This increase in our revenues is attributable primarily to an increase in corporate filings. Our total expenditures for 2015-2016 decreased by 2.8%, or \$0.074 million, over the prior year to \$2.554 million. This decrease in expenditures relates primarily to reductions in travel, professional services and honoraria expenses. Our total expenditures for the year were \$0.041 million under our approved budget of \$2.595 million.

This year, the Commission accomplished considerable policy development work, including expanding the passport regime to include applications to cease to be a reporting issuer, continuing to modernize and harmonize the exempt market through updates to existing exemptions and the establishment of new exemptions, work towards 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 the quality and integrity of the take-over bid regime, and continuing to contribute to the policy development and harmonization efforts of the Canadian Securities Administrators.

"Paul Radford"

Paul E. Radford, QC, Chair

Nova Scotia Securities Commission

## Financial Results

Core Business (All)	2015-2016 Estimate (\$ thousands)	2015-2016 Actual (\$ thousands)	Variance (\$ thousands)
Revenues	(16,800)	(19,815)	3,015 <sup>1</sup>
Expenditures			
Salaries and Benefits	1,985	1,965	20
Operating Costs	610	590	20 <sup>2</sup>
Cost Recoveries		(1)	1
Total Expenditures	2,595	2,554	41
Net Revenue	(14,205)	(17,261)	3,056
FTEs	19.4	18.8	0.6

<sup>1</sup> Revenues were higher than budgeted due to an increase in the volume of corporate finance filings and registration fees.

<sup>2</sup> Lower operating costs compared to estimate were the result of lower than expected travel, professional services and Honoraria 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 also met its target for considering exemption applications within five business days of the application being filed.

*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*

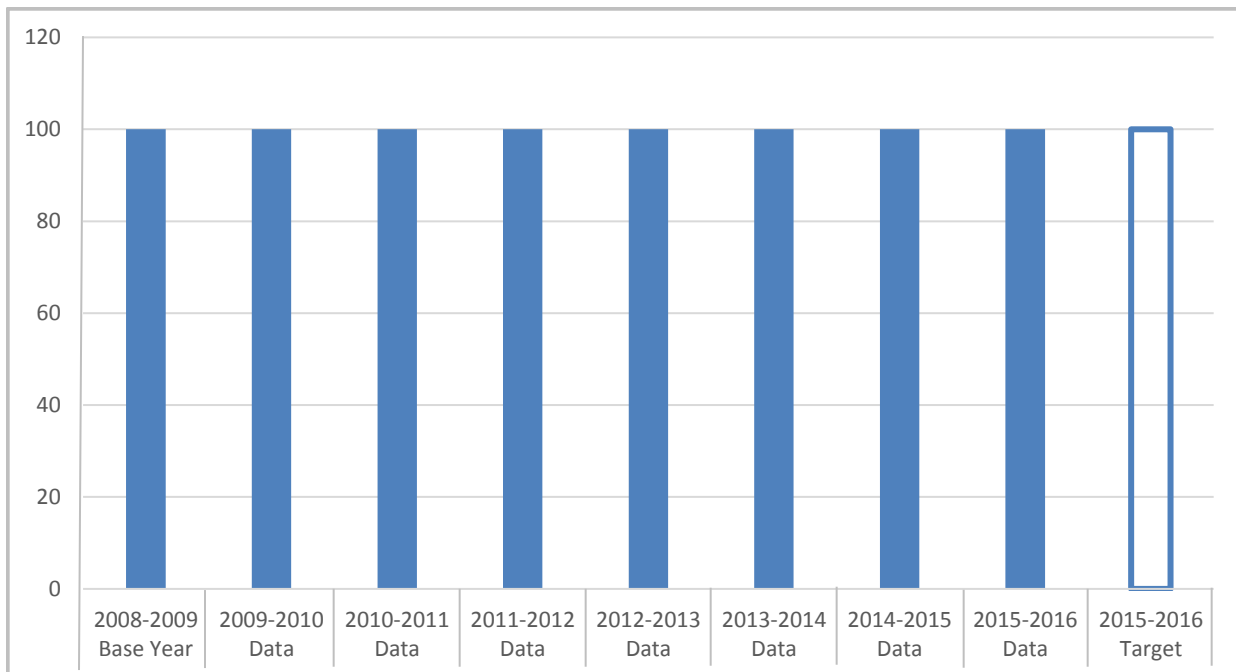
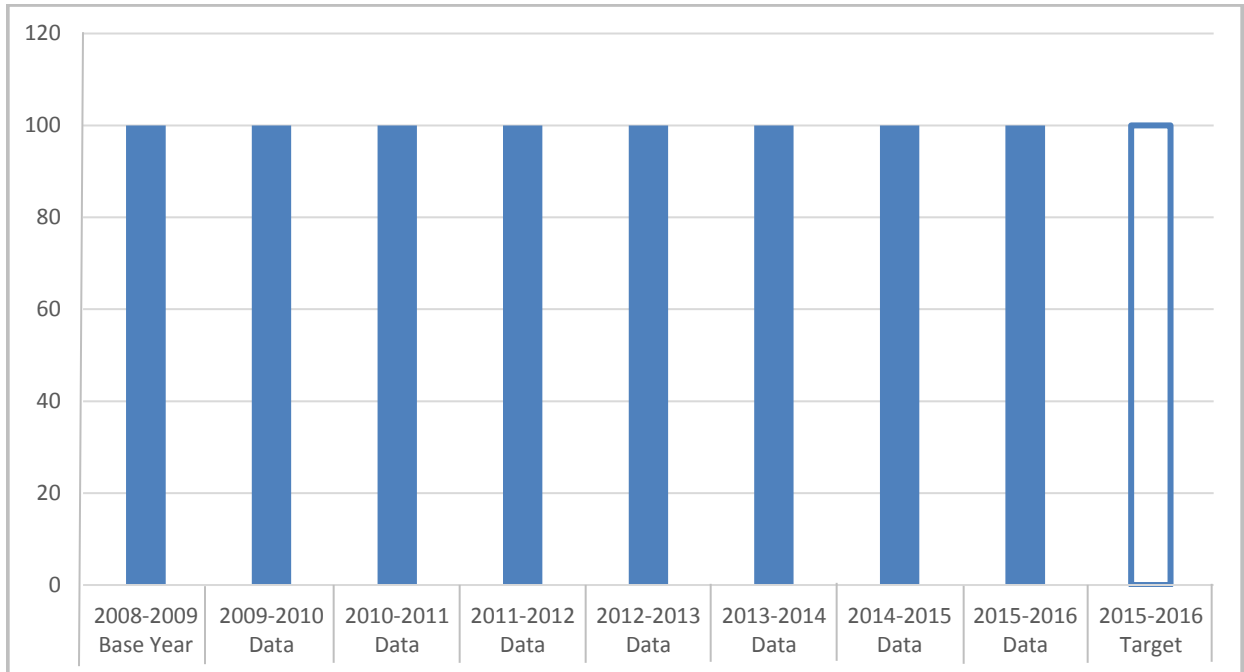


Chart 2: Percentage of exemption applications considered within five business days of filing



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 2015-2016, the Commission held four settlement hearings to consider the approval of settlement agreements. Orders were made within 10 business days of final submissions in all of the hearings, surpassing our target rate of 95%. For the same time period, as illustrated in the following Chart 4, the Commission heard one contested matter and, while the Commission order containing sanctions and the written decision regarding administrative penalties were issued within 90 days of the final submissions, the Commission order which ordered the administrative penalties was not issued within the target period due to one member of the Commission panel being unavailable to sign the order.

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

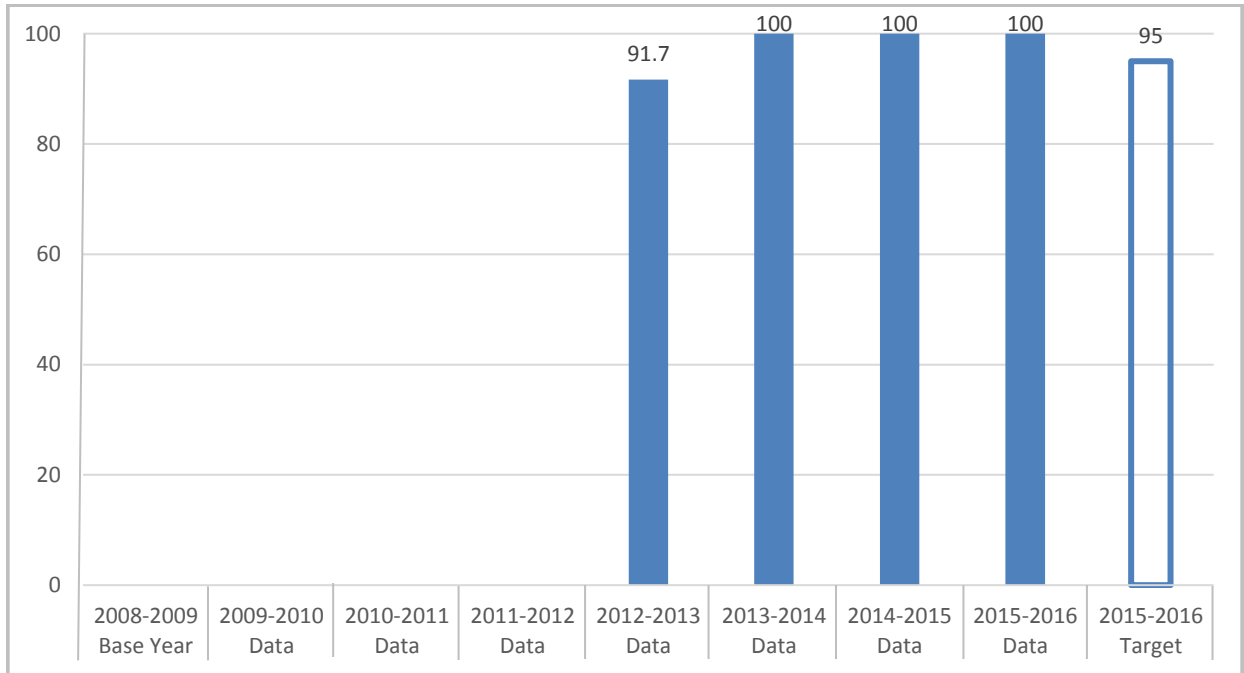
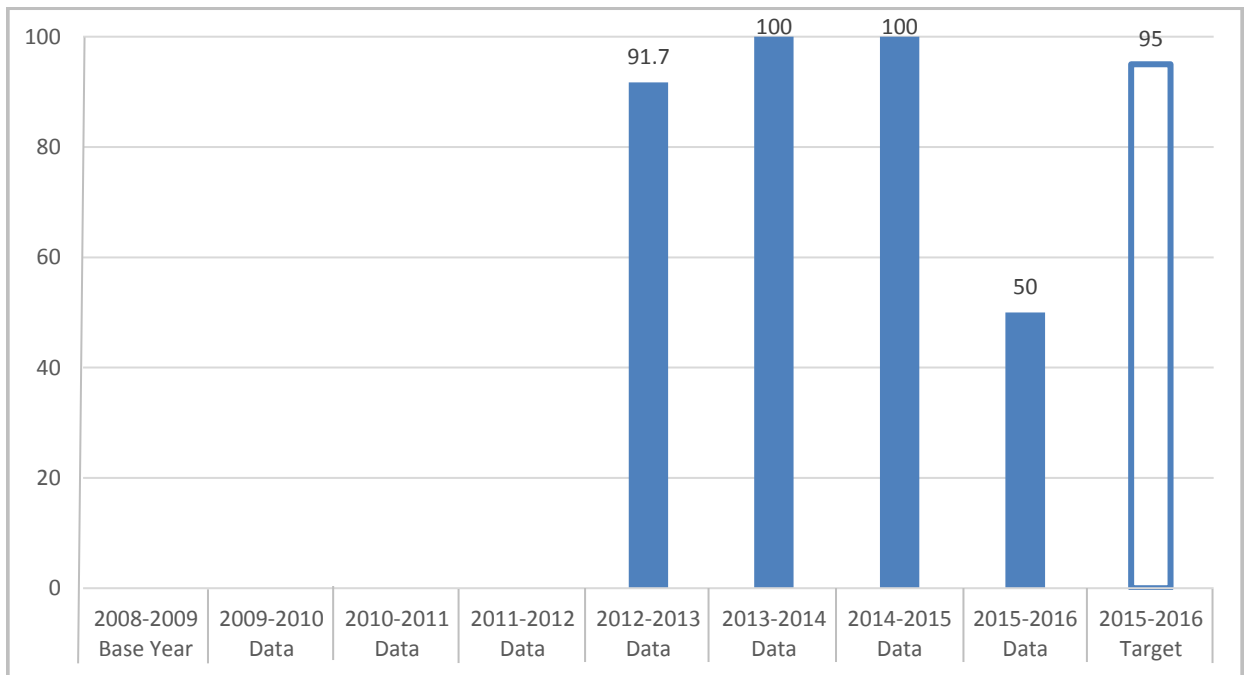


Chart 4: Percentage of orders and decisions made within 90 days of the final submissions from the parties following the conclusion of a contested hearing





### **Major Policy Initiatives**

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

- Adoption of amendments to National Instrument 51-102 *Continuous Disclosure Obligations* as a rule to make the disclosure requirements of venture issuers more suitable and manageable for issuers at their stage of development, and provide information that reflects the needs and expectations of venture issuer investors.
- Adoption of National Policy 25-201 *Guidance for Proxy Firms* to provide proxy advisory firms with guidance on recommended practices and disclosure, including in the areas of actual or potential conflicts of interest; transparency and accuracy of vote recommendations; development of proxy voting guidelines; and communications with clients, market participants, other stakeholders, the media and the public.
- Publication for comment of proposed amendments to the Companion Policy to National Instrument 23-101 *Trading Rules* to address order processing delays (aka speed bumps) introduced by certain marketplaces, and how such delays impact the application of the order protection rule.
- Adoption of Multilateral Instrument 45-107 *Listing Representation and Statutory Rights of Action Disclosure Exemptions* as a rule. The Instrument provides an exemption from the statutory prohibition against making a representation about the intention to list securities on an exchange or market, and provides an exemption from the requirement to include a prescribed statement with respect to certain statutory rights of action in an offering document used in connection with U.S. or international exempt offerings to Canadian institutional and other sophisticated investors.
- Adoption of amendments to National Instrument 33-105 *Underwriting Conflicts* as a rule. The amendments provide an exemption from the disclosure requirements relating to conflicts of interest between an issuer and dealer in the context of an offering by a foreign issuer to sophisticated investors in Canada made on a private placement basis.
- Adoption of Blanket Order No. 45-524 *Start-up Crowdfunding Registration and Prospectus Exemptions* as part of an initiative involving the securities regulatory authorities of British Columbia, Saskatchewan, Manitoba, Québec, and New Brunswick. The participating jurisdictions concurrently adopted substantially harmonized registration and prospectus exemptions that allow start-up and early stage companies to raise capital in these jurisdictions, subject to certain conditions.
- Adoption of Blanket Order No. 31-533 *Client Relationship Model (Phase II)* as part of an initiative involving all members of the CSA providing exemptions from certain provisions of

National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (NI 31-103) related to amendments to NI 31-103 which come into effect in stages in 2015 and 2016 (the CRM2 Amendments). The parallel orders were adopted to address concerns regarding difficulty implementing certain of the CRM2 Amendments by their effective date and certain technical issues identified relating to the delivery of information prescribed in the CRM2 Amendments.

- Publication for comment of proposed amendments to National Instrument 41-101 *General Prospectus Requirements* 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 21-101 *Marketplace Operation* and National Instrument 23-101 *Trading Rules* as rules. The proposed amendments will update the marketplace rules to reflect recent developments relating to marketplaces’ and information processors’ systems and business continuity planning and to government debt transparency.
- Adoption of amendments to National Instrument 13-101 *System for Electronic Document Analysis and Retrieval* (SEDAR) and Multilateral Instrument 13-102 *System Fees for SEDAR and NRD* as rules to require certain documents that were filed in paper format by issuers relying on certain prospectus exemptions to be filed electronically on SEDAR.
- Adoption of amendments to National Instrument 45-106 *Prospectus Exemptions* as a rule to replace the existing forms 45-106F1 Report of Exempt Distribution and 45-106F6 British Columbia Report of Exempt Distribution with one new harmonized report of exempt distribution form. The report will reduce the compliance burden for issuers and underwriters by having one harmonized report; provide securities regulators with the necessary information to facilitate more effective regulatory oversight of the exempt market; and improve analysis for policy development purposes.
- Repeal of National Instrument 45-101 *Rights Offerings* and adoption of amendments to National Instrument 45-106 *Prospectus Exemptions* as a rule related to a new rights offering regime to address concerns that issuers seldom used the rights offerings exemption to raise capital because of the associated time and cost. The amendments create a streamlined prospectus exemption for rights offerings that is available only to reporting issuers, and not to investment funds subject to National Instrument 81-102 *Investment Funds*. The exemption removes the current regulatory review process prior to use of the

rights offering circular, adds civil liability for secondary market disclosure and introduces a user-friendly form of rights offering circular.

- Adoption of amendments to National Instrument 45-106 *Prospectus Exemptions* as a rule related to the offering memorandum exemption. The proposed amendments include setting investment limits for certain investors; requiring non-reporting issuers that rely on the exemption to provide certain additional disclosure; and introducing new form requirements such as a risk acknowledgement form, a form confirming an investor's status and a form confirming the investor is within the investment limits.
- Adoption of Multilateral Instrument 45-108 *Crowdfunding* as a rule to provide a prospectus exemption tailored for start-up companies and small and medium-sized enterprises to raise capital in the participating provinces through the internet conditional on the internet funding portals being registered as an investment dealer, exempt market dealer or restricted dealer. The exemption permits issuers using a prescribed offering document to raise up to \$1.5 million during a 12-month period; sets investment limits for certain investors; requires investors to sign a risk acknowledgement form; and requires non-reporting issuers that rely on the exemption to provide certain additional disclosure. The funding portals are subject to gatekeeper responsibilities prior to allowing an issuer access to its online platform, including reviewing the issuer's crowdfunding offering document and conducting background checks.
- Adoption of National Instrument 24-102 *Clearing Agency Requirements* as a rule. The Instrument implements the international standards applicable to financial market infrastructures described in the April 2012 report, *Principles for Financial Market Infrastructures*, published by the Committee on Payments and Market Infrastructures and the International Organization of Securities Commissions. It also sets out requirements for the application process for recognition as a clearing agency under securities legislation or for an application to be exempt from the recognition requirement.
- Publication for comment of proposed National Instrument 94-102 *Derivatives: Customer Clearing and Protection of Customer Collateral and Positions*. The proposed Instrument contains requirements for the treatment of customer collateral by clearing intermediaries and derivatives clearing agencies, including detailed record-keeping, reporting and disclosure requirements, and requirements relating to the transfer or porting of customer collateral positions in the event of default or insolvency of a clearing intermediary. The purpose of the Instrument is to ensure that customer clearing is carried out in a manner that protects customer collateral and positions, and improves derivatives clearing agencies' resilience to a clearing member's default.

- Adoption of Multilateral Instrument 91-101 *Derivatives: Product Determination* (MI 91-101) and Multilateral Instrument 96-101 *Trade Repositories and Derivatives Data Reporting* (MI 96-101) as rules. MI 91-101 defines the types of derivatives that are subject to reporting requirements under MI 96-101, and MI 96-101 mandates that counterparties to derivatives transactions report specific data about those transactions. In addition, MI 96-101 facilitates the regulation and oversight of trade repositories, including requirements for the recognition process, operations and data access and dissemination.
- Publication for comment of proposed amendments to MI 96-101 to require a local counterparty have a legal entity identifier (LEI) and revise the provisions relating to LEIs to reflect international developments; provide relief from the reporting obligations for derivatives between two affiliated end-users in certain circumstances; provide a transition period before the reporting obligations become effective for end-users that previously qualified for an exclusion from reporting derivatives and become reporting counterparties for the first time; set out requirements for public dissemination of transaction-level data; and specify that compliance with certain laws, regulations or instruments of foreign jurisdictions is deemed to comply with the reporting obligations in MI 96-101.
- Publication for comment of proposed amendments to National Instrument 81-101 *Mutual Fund Prospectus Disclosure* 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 amendments to Multilateral Instrument 62-104 *Take-Over Bids and Issuer Bids* (MI 62-104) as a rule. The amendments enhance the quality and integrity of the take-over bid regime and rebalance the current dynamics among offerors, offeree issuer boards of directors (offeree boards), and offeree issuer security holders by facilitating the ability of offeree issuer security holders to make voluntary, informed and coordinated tender decisions, and providing the offeree board with additional time and discretion when responding to a take-over bid.
- Adoption of amendments to Multilateral Instrument 62-103 *Early Warning System and Related Take-Over Bid and Insider Reporting Issues* (NI 62-103) and to MI 62-104 as rules. The amendments enhance the disclosure requirements of the early warning regime, including the requirement to disclose decreases in ownership, control or direction of 2% or more, and when a security holder's ownership, control or direction falls below the early warning reporting threshold.

- Adoption of amendments to Multilateral Instrument 11-102 *Passport System* as a rule and two related national policies to expand the passport system to two new areas: applications to cease to be a reporting issuer and the issuance and revocation (including a variation) of failure-to-file cease trade orders.
- Publication for comment of proposed National Instrument 94-101 *Mandatory Central Counterparty Clearing of Derivatives* to mandate 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 amendments to National Instrument 23-101 *Trading Rules* (NI 23-101) as a rule. The amendments address some of the inefficiencies and costs related to the implementation of the order protection rule which requires that all better-priced orders be executed before inferior-priced orders regardless of the marketplace on which the order is displayed. In addition, an active trading fee cap of \$0.0030 per share or unit traded is set for equity securities and exchange-traded funds priced at or above \$1.00.
- Publication for comment of proposed additional amendments to NI 23-101 to 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.

## ***Core Area 2 – Policy and Market Regulation Branch***

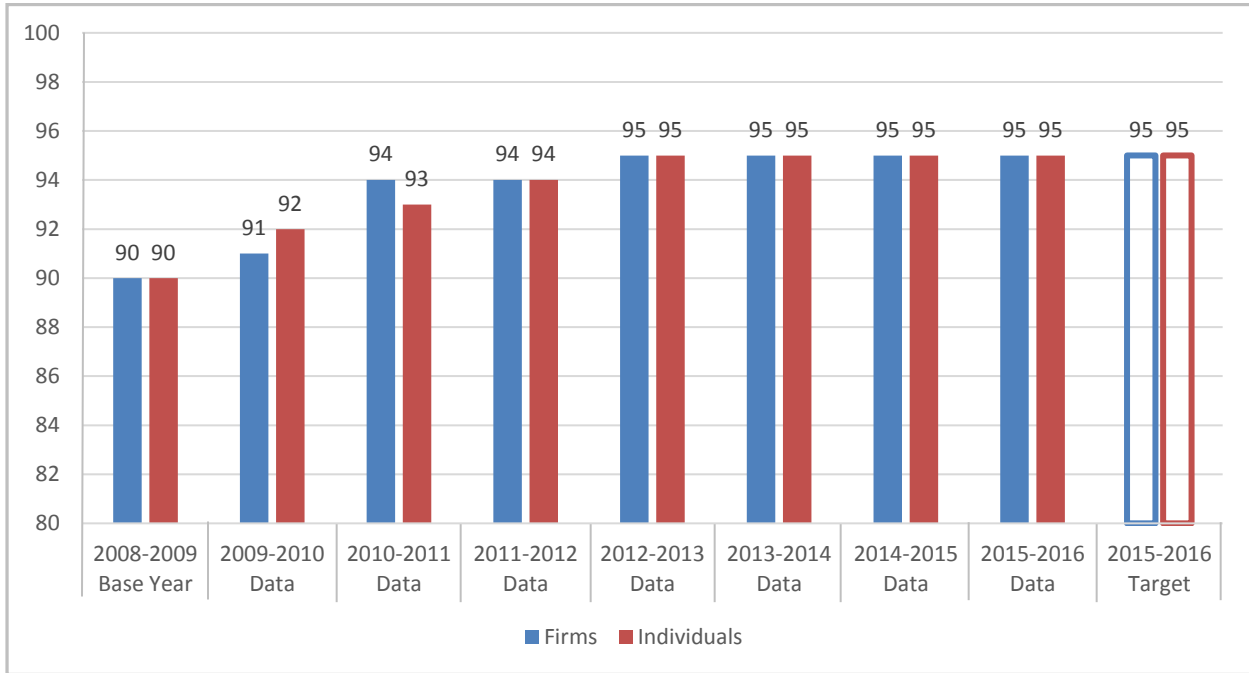
The Policy and Market Regulation branch has three core areas of responsibility: Capital Markets, which relates to the registration and oversight of investment professionals and firms in Nova Scotia; Compliance, which relates to the Commission's review and oversight of the activities of investment professionals 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, and we once again met our targets in this area in 2015-2016.

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



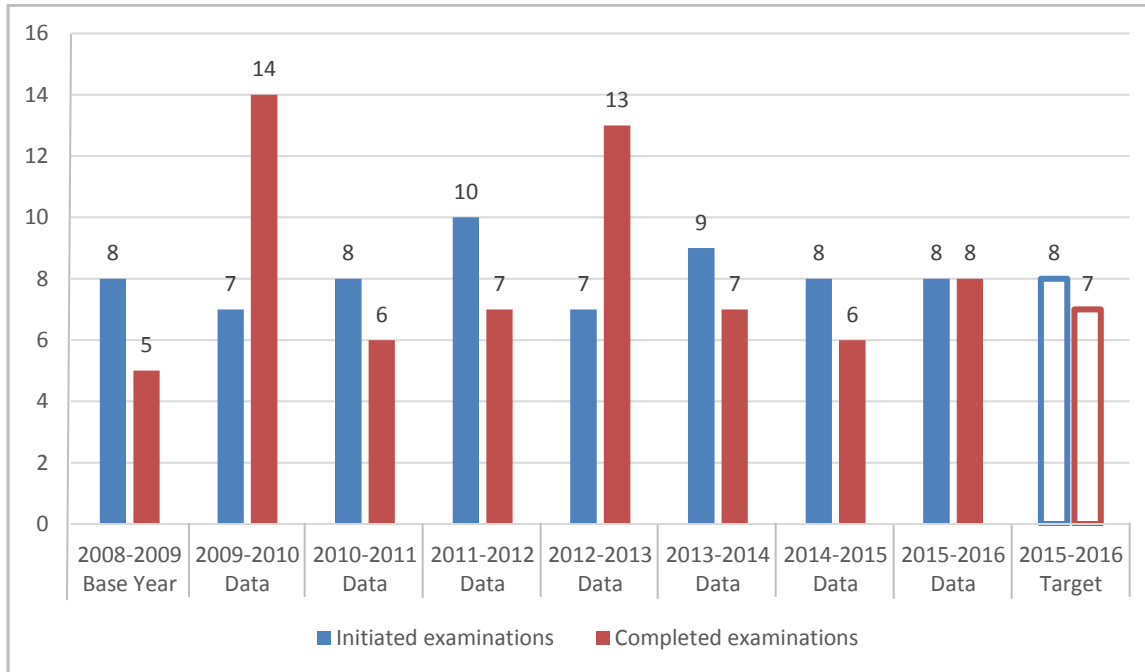
The Commission’s Capital Markets staff also continues to work on several committees of the Canadian Securities Administrators (CSA) to provide a voice for the stakeholders of Nova Scotia in the formation of new rules and the ongoing amendment of current rules. Staff also provides specific notice to Nova 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 continue to build 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.

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 the Mutual Fund Dealers Association of Canada and the Investment Industry Regulatory Organization of Canada, which are the self-regulatory organizations (SROs) recognized 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 resources utilized to oversee the SROs are of vital importance to ensure the ongoing confidence in the capital market. SRO oversight reviews ensure that the SROs are overseeing their members in Nova Scotia in accordance with their recognition orders, though resources dedicated to these reviews may lead to fewer direct examinations. 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 work is to improve the efficiency of the investor education programs to provide effective investor protection. The performance measures outlined below indicate how effectively the Commission is developing and implementing an investor education program aimed at raising the understanding of sound investment practices by Nova Scotia residents and providing them with the knowledge and skills to recognize questionable products and practices.

In 2013, the Commission developed and implemented a Communications Strategy (the Strategy). The Strategy included a Communications Matrix which set out investor education measures and goals. The table below illustrates our achievements and targets.

A key goal for 2015-2016 was to improve the compliance and registration sections of the Commission's newly redesigned website by increasing the amount of information that is provided to industry participants. In addition, a new page was created which focuses on crowdfunding. The [nssc.novascotia.ca](http://nssc.novascotia.ca) website educates Nova Scotia investors on a variety of topics. The website's effectiveness was monitored through Google Analytics from April 1, 2015 to March 31, 2016. During that time period, the monthly averages of visits to the Commission's website involved 987 sessions by 1,200 visitors, 73% of whom were new visitors. There were also 120 page views with 87 searches, averaging 15 per day.

Our main investor education outreach goal this year was to provide education on Nova Scotia's capital and exempt markets. The Commission created informative publications to explain the exemptions available for businesses to raise capital and also held three public information sessions on the new crowdfunding rules adopted in Nova Scotia. These achievements resulted in the most media coverage for the year. The Commission received positive feedback from participants and, as a result, was invited to speak at two public capital-raising conferences. The Commission also gave presentations on ethical behaviour in the industry to future registrants in the Nova Scotia Community College's Investment Management Certificate Program. The presentations were very successful and, at the request of students and staff, the Commission will present this programming on an annual basis. The Commission's team is looking forward to next year and setting new investor education goals that continue to fulfill its mandate.



Communications Matrix		
Goals	Percentage of Goal Completed in 2015-2016	Actions to Achieve Goals
Outreach to local media to build new and existing relationships	100%	<ul style="list-style-type: none"> <li>- Invited the media to our capital raising conference and received positive coverage as a result.</li> <li>- Arranged for two feature articles in The Chronicle Herald on Nova Scotia's crowdfunding rules and gender diversity in the boardroom.</li> </ul>
Develop investor education online resources	100%	<ul style="list-style-type: none"> <li>- Developed webpage focused on crowdfunding.</li> <li>- Developed materials regarding the complaint and enforcement process.</li> </ul>
Re-design Commission website	100%	<ul style="list-style-type: none"> <li>- Made improvements to registration, compliance and enforcement sections on our website.</li> </ul>
Outreach to industry participants to provide education on proposed crowdfunding and other prospectus exemptions	100%	<ul style="list-style-type: none"> <li>- Hosted three public information session on the proposed crowd funding rules. Over 20 people attended each session.</li> </ul>
Give presentations to students studying securities law and industry	100%	<ul style="list-style-type: none"> <li>- Gave presentations to Nova Scotia Community College's Investment Management Certificate Program students.</li> </ul>

Communications Matrix		
Goals	Percentage of Goal Completed in 2015-2016	Actions to Achieve Goals
Increase traffic to Commission website	100%	- Tracked user traffic from 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.

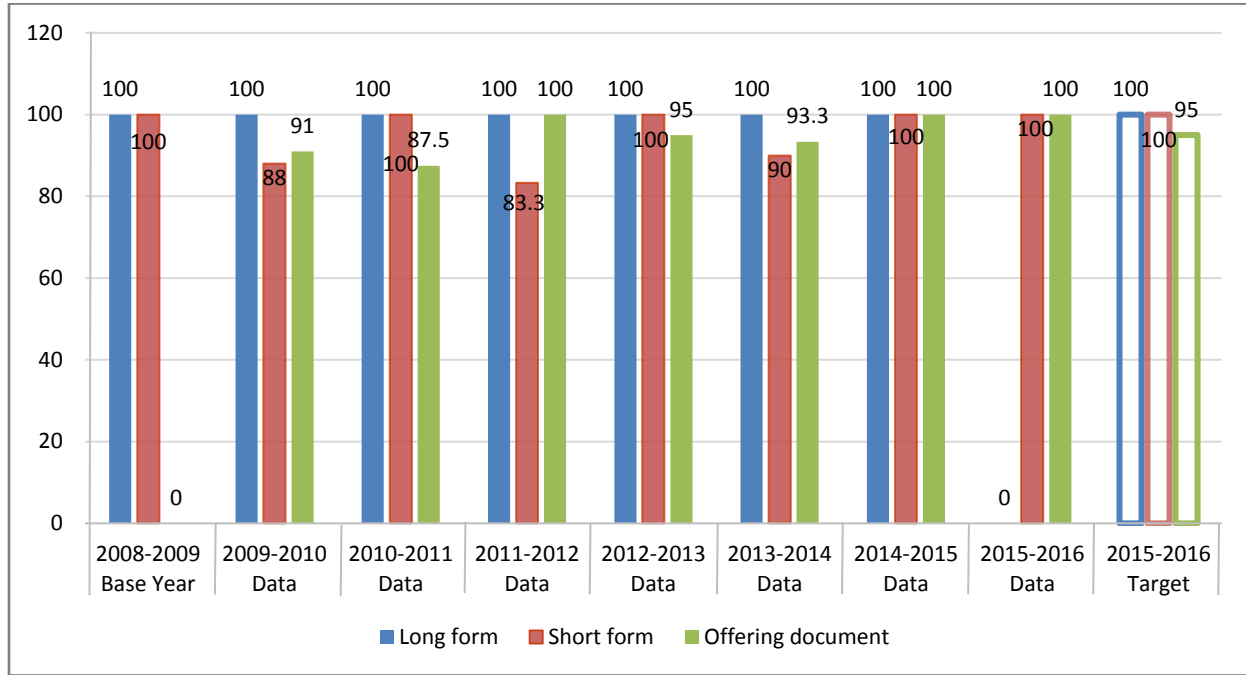
### ***Core Area 3 – Corporate Finance Branch***

#### ***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 is reviewing and processing prospectuses and offering documents filed with the Commission as the principal regulator. Once a receipt or non-objection letter for an offering document has been issued by the Director of Corporate Finance, 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.

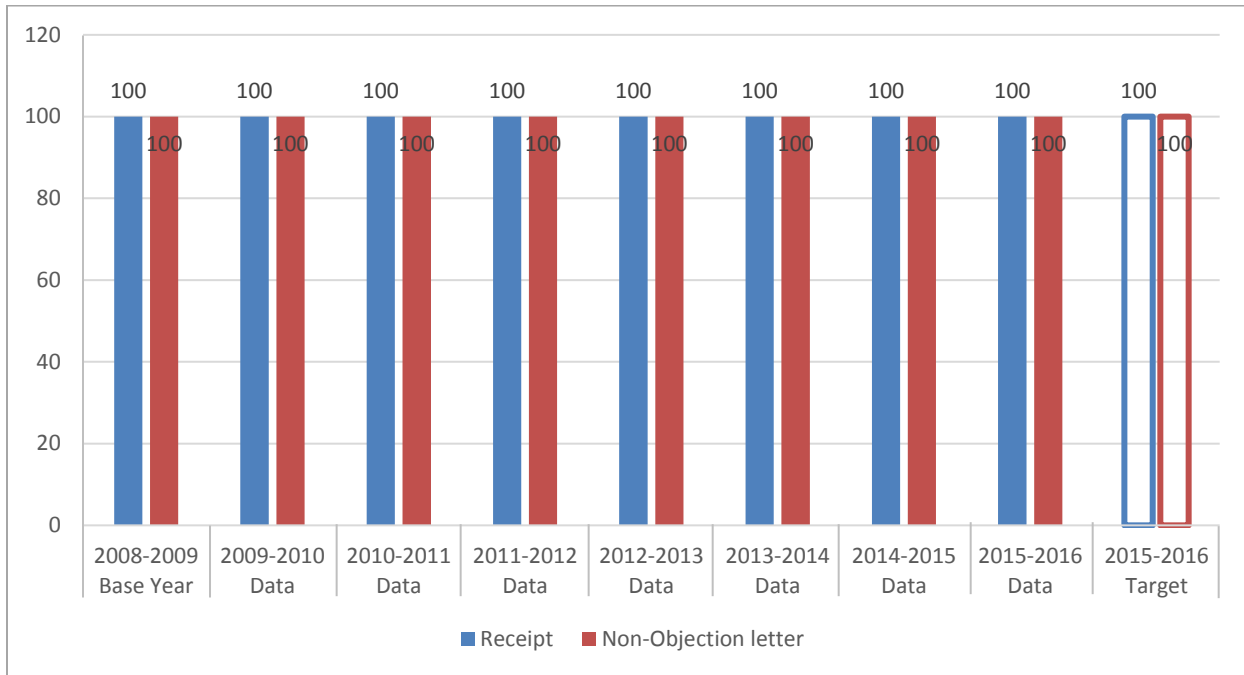
Prospectus issuers with head offices in Nova Scotia raised \$2.14 billion in 2015-2016, while CEDIF issuers raised \$8.8 million.

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.

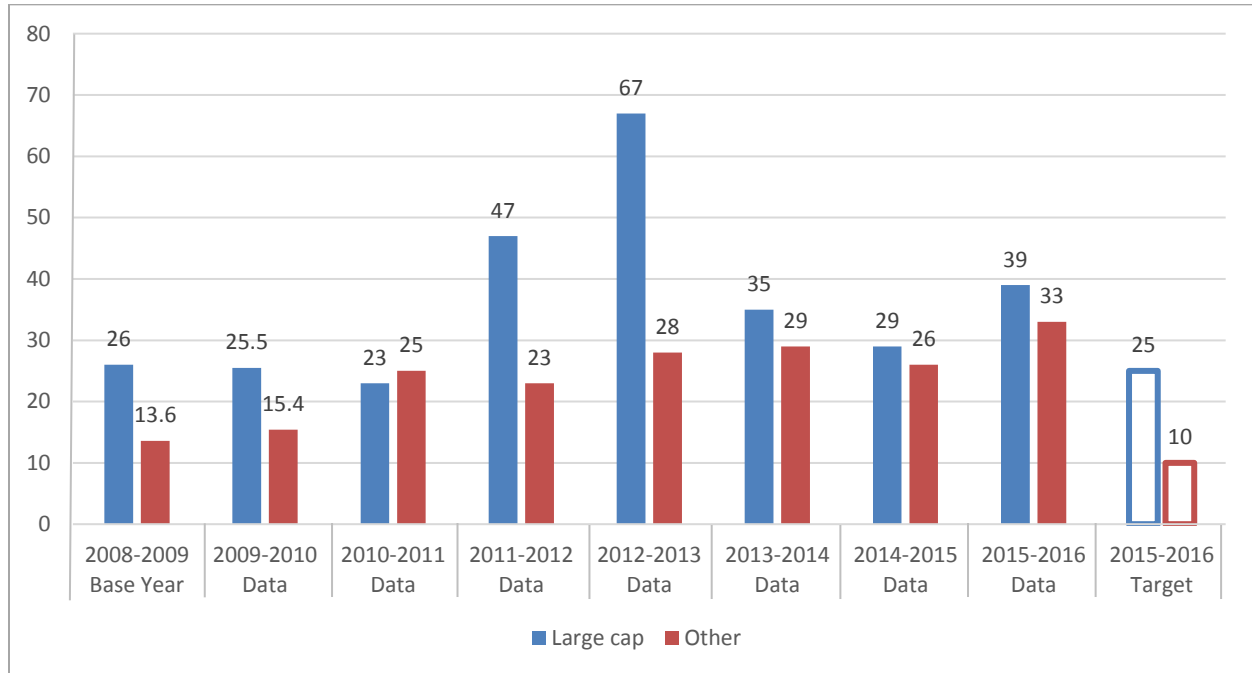
Chart 8: Percentage of issuers based in Nova Scotia who received the receipt for a prospectus or letter of non-objection for an offering document within the mandated timeframes after filing final documents (for receipts, one day; for offering documents, two days)



Public companies’ filings are reviewed by the Commission’s Corporate Finance staff to ensure consistency and uniformity in the information disseminated to the public who are making investment decisions based upon that information. In 2015-2016, the Commission’s reviews of public companies’ continuous disclosure were done 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 was reviewed for compliance with the public companies’ filing requirements.

As illustrated in Chart 9 below, the Commission’s continuous disclosure review targets are to complete reviews for 25% of Nova Scotia’s large cap public companies and 10% of its other reporting issuers. These targets were exceeded in 2015-2016, with Commission staff completing reviews for 39% of Nova Scotia’s large cap public companies and 33% 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 requirement to hold a hearing for failing to file documents was removed. 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 2015-2016, the Director of Corporate Finance issued two cease trade orders for failure to file financial and associated disclosure within mandated timeframes. 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.

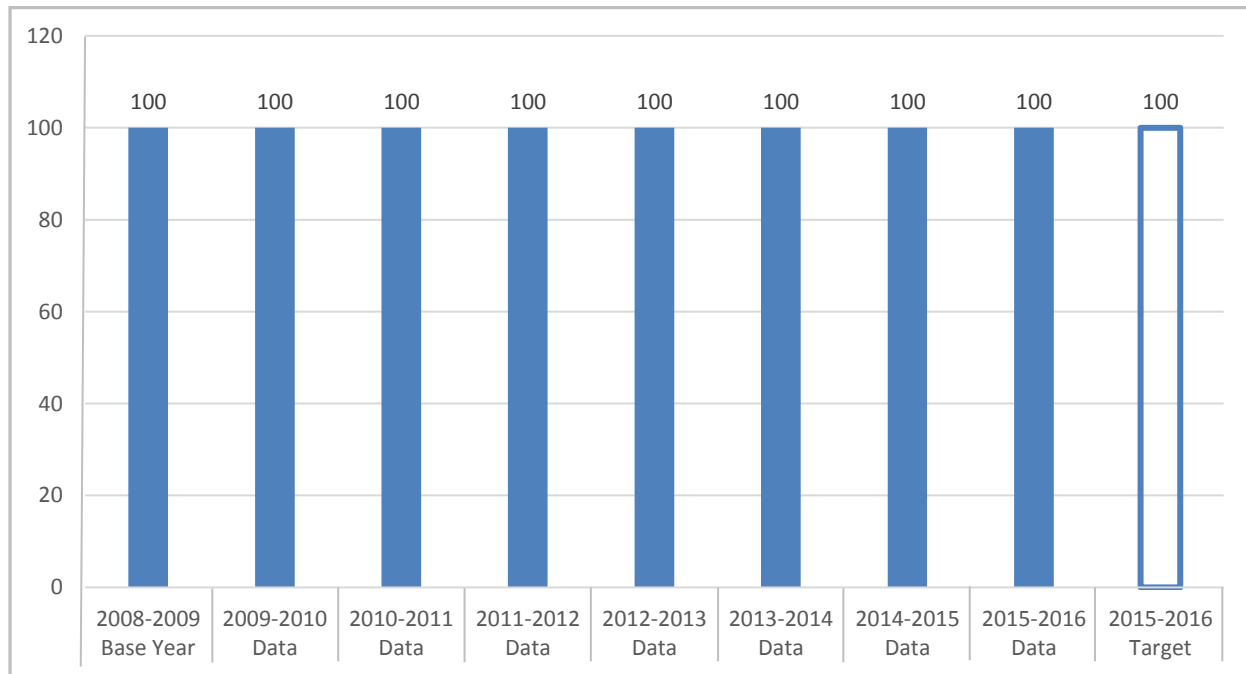
### Core Area 4 – Enforcement Branch

**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.)

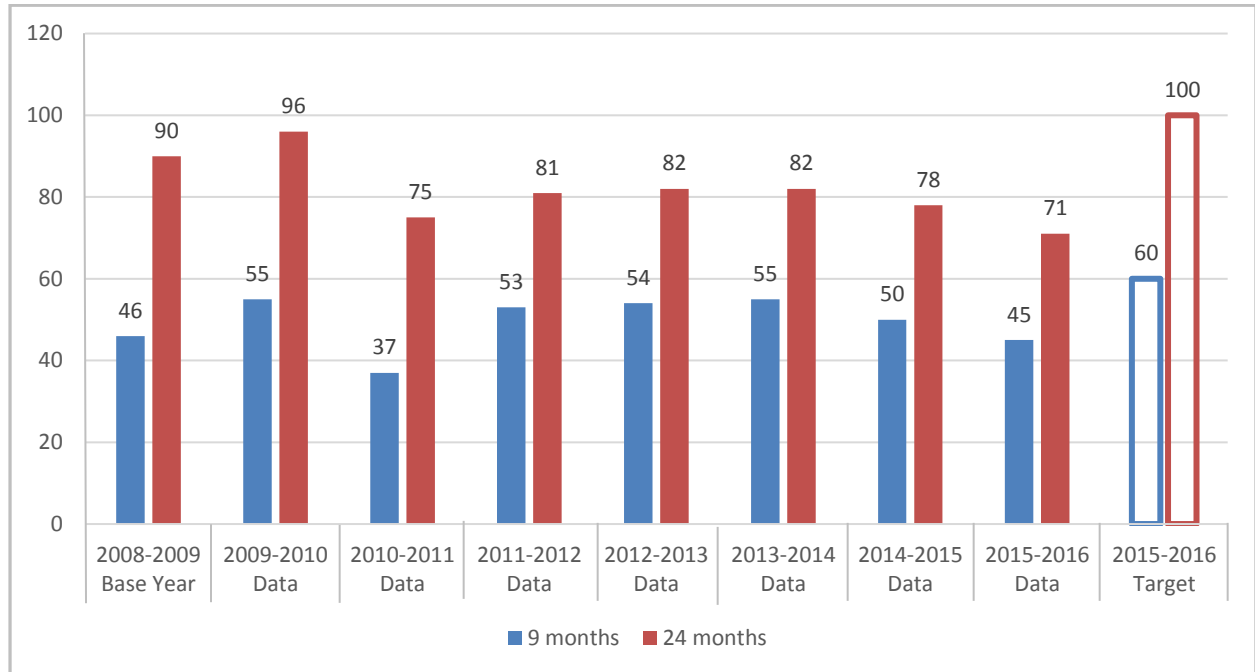
In the 2015-2016 fiscal year, the Enforcement branch investigated 57 new complaint files. The Commission concluded five cases against multiple respondents, resulting in the issuance of \$555,000 in administrative fines and \$10,500 in cost recoveries.

Sixty-nine investigation files were concluded in 2015-2016, a significant increase from the 40 files concluded last year. Of those 69 files, 31 files, or 45%, were concluded within the first nine months of commencing the investigations and 48 files, or 71%, 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. During this time, Enforcement has experienced an increase in general complaints resulting in an increase in investigation files opened. Given the increase in overall complaints, coupled with rising complexity and scope, greater time and resources are necessarily expended in response to complaints and to conclude investigations.

In 2015-2016, Enforcement began tracking the number of complaints received each month. Historically, only those complaints that gave rise to Enforcement action, where a file was opened, were then captured in this report. However, 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 open file.

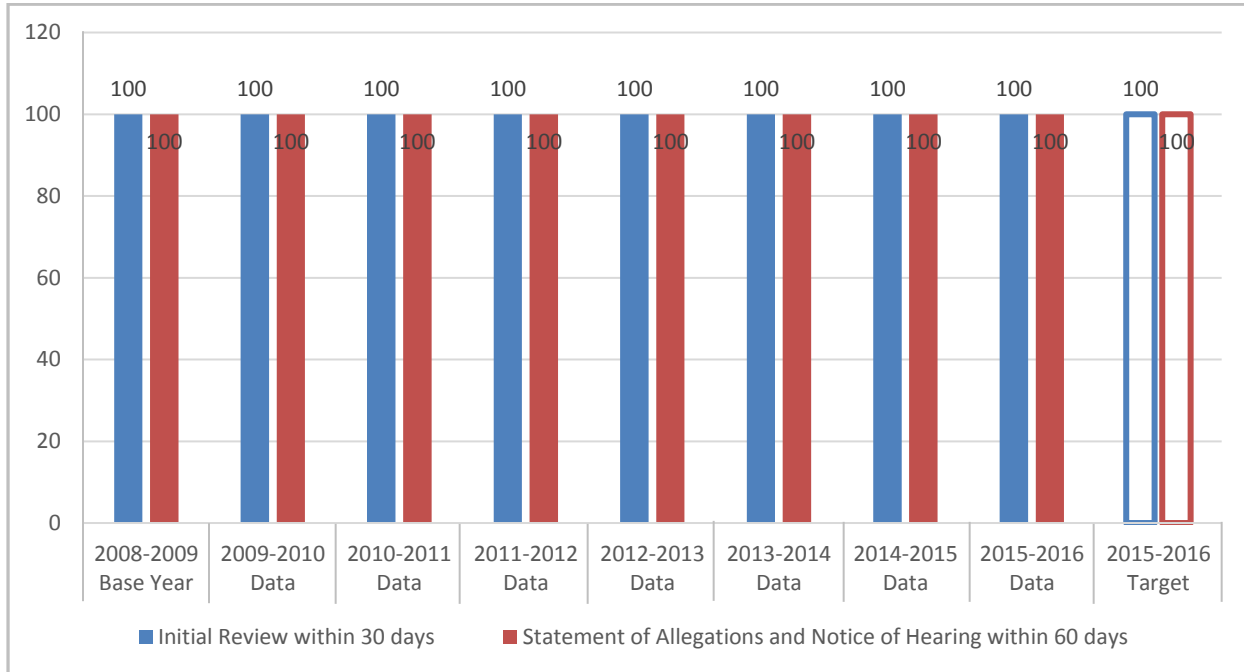
Chart 11: Percentage of investigations concluded and reported on by Enforcement staff to Director of Enforcement based on: 1) 60% of investigations within nine months; and 2) all investigations within 24 months



In 2015-2016, 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 2015-2016
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