



Securities Commission

Annual Accountability Report  
for the Fiscal Year 2019 – 2020

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## Accountability Statement

The Accountability Report of the Nova Scotia Securities Commission (the Commission) for the year ended March 31, 2020, is prepared pursuant to the *Finance Act* and government policies and guidelines. These authorities require the reporting of outcomes against the Commission's Business Plan 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 2019-2020 Business Plan.

(signed) "Paul E. Radford"

Paul E. Radford, QC, Chair

(signed) "H. Jane Anderson"

H. Jane Anderson, Executive Director

## Message from the Chair

The principal mission of the 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 2019-2020 Business Plan, which is available on the Commission's website.

This year, with attention on reducing regulatory burden and addressing changes to the capital markets in a timely manner while continuing to protect investors, the Commission board accomplished considerable policy development work. In particular, the Commission adopted rule amendments and guidance to enhance the standards of conduct of investment professionals through targeted reforms, adopted rule amendments to end investment funds paying upfront commissions to dealers causing investors to pay fees to withdraw funds before redemption schedules of up to seven years (deferred sales charges), and continued work on reviewing the regulatory framework for Nova Scotia Community Economic Development Corporations.

In response to the rapid growth in technology and innovation resulting in changes to the capital markets, including the creation of new investment products, new business models and new ways of raising money, the Commission continued to participate on the CSA Regulatory Sandbox Committee to gain a better understanding of how technology innovations are impacting capital markets, assess the scope and nature of regulatory implications, and modernize the securities regulatory framework for financial technology. In addition, the Enforcement Branch continued to analyze, investigate and disrupt scams and threats to Nova Scotians perpetuated through social media and other online platforms by issuing investor alerts, locally and in coordination with other CSA members, and taking enforcement action. Work by the CSA jurisdictions on a comprehensive web-based National Electronic Filing System also continued.

Similar to previous years, we reached our goals and fulfilled our mandate while paying close attention to our fiscal responsibility. Our revenues for 2019-2020 increased by 1.5%, or \$.312 million, from the prior year to \$21.427 million. This increase in our revenues is attributable primarily to an increase in corporate finance filings. Our total expenditures for 2019-2020 decreased slightly by .1%, or \$.003 million, under the prior year to \$2.400 million. This reduction of expenditures relates primarily to salary savings as a result of vacant positions. Our total expenditures for the year were \$0.276 million under our approved budget of \$2.676 million.

(signed) "Paul E. Radford"

Paul E. Radford, QC, Chair

## Financial Results

Core Business (All)	2019-2020 Estimate (\$ thousands)	2019-2020 Actual (\$ thousands)	Variance (\$ thousands)
Revenues	(20,300)	(21,427)	1,127 <sup>1</sup>
Expenditures			
Salaries and Benefits	2,018	1,769	249
Operating Costs	658	631	27 <sup>2</sup>
Cost Recoveries	-	-	-
Total Expenditures	2,676	2,400	276
Net Revenue	(17,624)	(19,027)	1,403
FTEs	19.0	16.3	2.7

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

<sup>2</sup> Lower operating costs compared to estimate were the result of vacant positions.

## Priorities and Measuring Our Performance

In the Commission's Business Plan for 2019-2020, the Commission set specific goals as priorities to achieve the following outcomes:

- Enhanced protection of investors resident in Nova Scotia,
- Changes in the capital markets and regulatory regime are addressed in a timely manner, and
- Reduction of regulatory burden on securities industry participants.

The performance measures for the Commission are focused on ensuring the efficient administration of the Commission's core business areas and its 2019-2020 goals of (i) enhancing front line investor protection to reduce the need for enforcement action after irreversible losses occur; (ii) using its expertise in addressing market developments and other changes that affect Nova Scotians; and (iii) working with the Canadian Securities Administrators (the CSA) to reduce duplicative and unnecessary regulations for securities industry participants. The Commission pursued these goals through activities in 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. The charts below report data since the 2015-2016 fiscal year. For prior data since the base year of 2008-2009, see the Commission's Annual Accountability Report for the fiscal year 2016-2017.

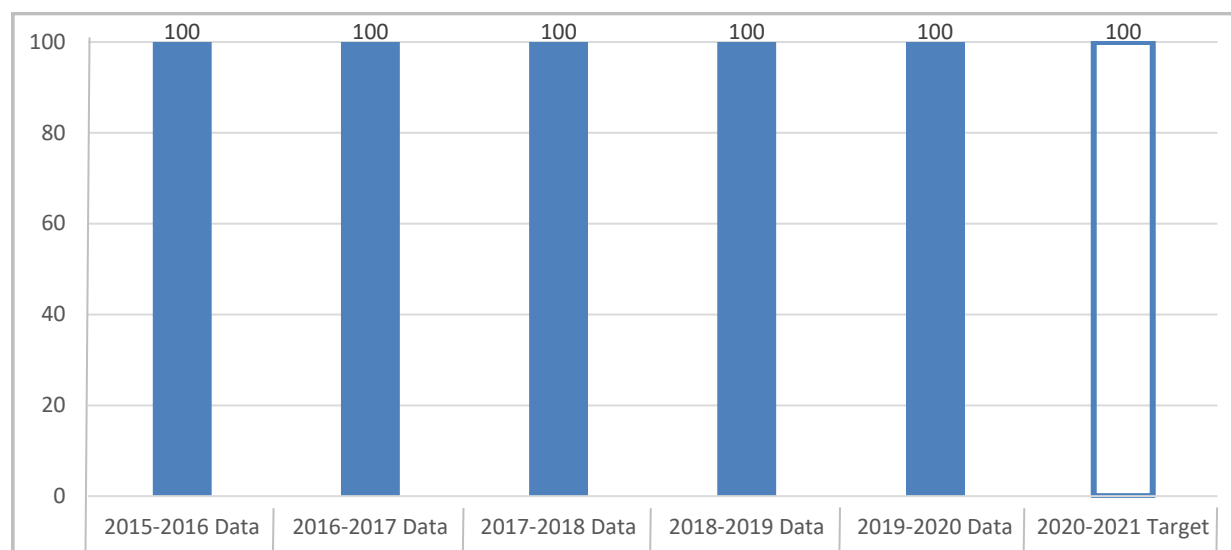
### ***Core Area 1 – The Commission Board***

***Outcomes: Enhanced protection of investors resident in Nova Scotia - Changes in the capital markets and regulatory regime addressed in a timely manner - Reduction of regulatory burden on securities industry participants***

The Commission board achieved the above-noted outcomes through its policy development activities, its timely response to applications from capital market participants for exemptive relief from securities law requirements, and through its adjudicative activities.

Chart 1 below, shows that the Commission board met its target for the timely adoption of national and multilateral instruments following the review, analysis and development of instruments and amendments in collaboration with the CSA members. The Commission's commitment to harmonize the securities laws of Nova Scotia with the securities laws in the other Canadian jurisdictions, unless there is good reason to do otherwise, is reflected in the rule and policy development initiatives listed below Chart 1.

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 Memorandum of Understanding on Securities Regulation



In support of protecting investors, addressing changes in the capital markets in a timely manner and reducing regulatory burden, the Commission participated in the development of the below-noted major policy initiatives with the other CSA members. The first two rule amendments listed below are the result of the Commission's 2019-2020 priority to collaborate with the other CSA jurisdictions to improve the client-registrant relationship by reviewing the standards of conduct of registrants and exploring targeted reforms to securities regulations, as well as exploring the end of, or restrictions on, embedded commissions used in the sale of securities products. Both of these rule amendments are aimed at enhancing front-end investor protection to reduce the need for enforcement action after irreversible losses occur. Other major policy initiatives are aimed at addressing developments and other changes in the securities markets that affect Nova Scotians as well as reducing duplicative and unnecessary regulations.

- Adoption of amendments to National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (NI 31-103) to amend certain conduct provisions that apply to registrants in order to better align the interests of registrants with the interests of their clients, to improve outcomes for clients, and to make clearer to clients the nature and the terms of the relationship with registrants. Specifically, the amendments include targeted reforms related to conflicts of interest and suitability such that registrants are required to address all existing and reasonably foreseeable conflicts of interest in the best interests of their clients, and registrants have to put the clients' interest first when making suitability determinations. Amendments relating to know your client and know your product are designed to support these critical provisions, and amendments relating to relationship disclosure information provide for expanded disclosure about any restrictions on the products or services a registrant will make available to a client so that potential clients are better able to choose a registrant that is likely to meet their expectations.

- Adoption of amendments to National Instrument 81-105 *Mutual Fund Sales Practices* to prohibit the payment of upfront sales commissions by fund organizations to dealers and, in doing so, discontinue sales charge options that involve such payments, such as all forms of deferred sales charges, harmonized with all CSA jurisdictions other than Ontario.
- Publication of proposed National Instrument 13-103 [*System Replacement Rule*] to mandate that all documents required or permitted to be filed with or delivered to Canadian securities regulators must be transmitted electronically in accordance with the rule, unless specifically excluded. This instrument is proposed in connection with an initiative of the CSA to replace the national systems used by the CSA (ie., SEDAR, the National Cease Trade Order Database, the Disciplined List, SEDI, and NRD) with a more centralized CSA IT system (the Renewed System). The Renewed System is expected to be implemented in multiple phases.
- Publication of the proposed repeal and replacement of Multilateral Instrument 13-102 *System Fees* (MI 13-102) in connection with the development of the Renewed System. MI 13-102 will align with the Renewed System's projected operating costs and provide for future developments and enhancements; and is designed to simplify the fee design by adopting flat fees, eliminating some fees and adding new fees for significant new services. The system fees are separate from any regulatory fees users must pay in any province or territory.
- Publication of proposed amendments to National Instrument 44-102 *Shelf Distributions* (NI 44-102) relating to at-the-market distributions of equity securities. The proposed amendments include an exemption for the underwriter from the requirement to deliver a prospectus to purchasers in a distribution of securities, and an exemption for the issuer and underwriter from certain of the prospectus form requirements, including a relaxation of the form of statement of rights.
- Publication of proposed amendments to National Instrument 41-101 *General Prospectus Requirements* (NI 41-101), National Instrument 81-101 *Mutual Fund Prospectus Disclosure* (NI 81-101), National Instrument 81-102 *Investment Funds* (NI 81-102) and related instruments, as part of the first stage of Phase 2 of the CSA's efforts to reduce regulatory burden for investment fund issuers. Specifically, the proposed amendments will (i) remove redundant information in selected disclosure documents, (ii) use web-based technology to provide certain information about investment funds, (iii) codify exemptive relief that is routinely granted, and (iv) minimize the filing of documents that may contain duplicative information, such as Personal Information Forms.
- Publication of proposed amendments to National Instrument 51-102 *Continuing Disclosure Obligations* (NI 51-102) related to Business Acquisition Report requirements, including



proposed amendments to (i) alter the determination of significance for reporting issuers that are not venture issuers such that an acquisition of a business or related businesses is a significant acquisition only if at least two of the existing significance tests are triggered; and (ii) increase the significance test threshold for reporting issuers that are not venture issuers from 20 % to 30%.

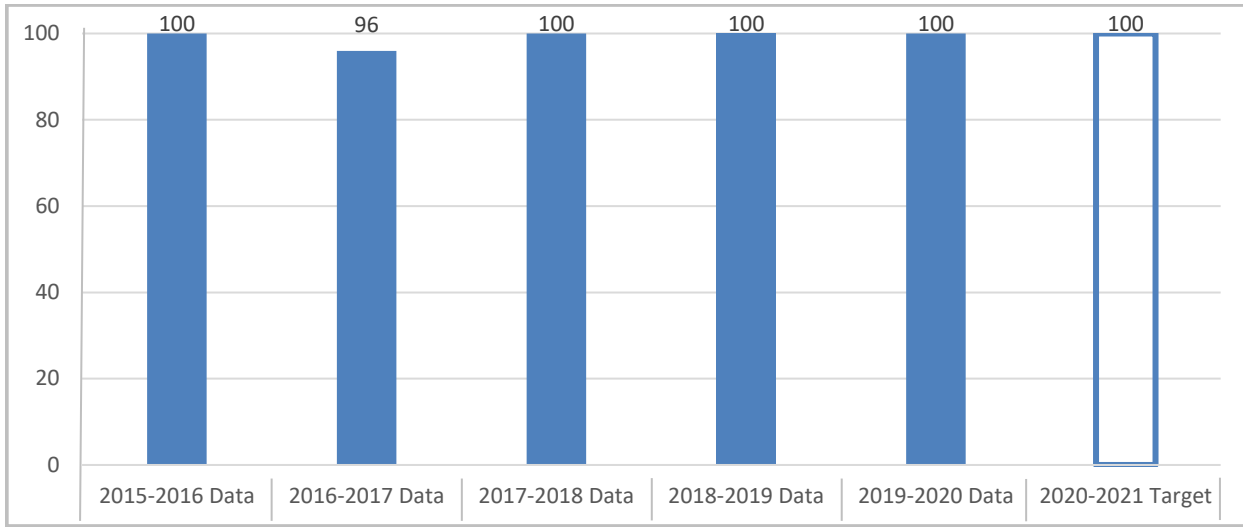
- Publication for a second comment period of proposed amendments to National Instrument 94-101 *Mandatory Central Counterparty Clearing of Derivatives* (NI 94-101) to revise the scope of the counterparties that are subject to NI 94-101 and refine the scope of products that are mandated to be cleared.
- Signing of an Innovation Functions Cooperation Agreement among the members of the CSA and the Monetary Authority of Singapore to provide a framework for co-operation and referrals between the Innovation Functions of the Monetary Authority of Singapore and the CSA signatories.
- Publication for a second comment period proposed National Instrument 52-112 *Non GAAP and Other Financial Measures Disclosure* to require disclosure for non GAAP financial measures, non GAAP ratios, and other financial measures (such as capital management measures, supplementary financial measures, and total of segments measures) which, in some cases, are helpful to investors to assess an issuer's financial performance.
- Publication of CSA Consultation Paper 51-405 *Consideration of an Access Equals Delivery Model for Non-Investment Fund Reporting Issuers*, providing an overview of current document delivery requirements under securities legislation and, for the purpose of reducing regulatory burden on market participants, seeking comment on a new "access equals delivery" model whereby providing access to documents through SEDAR and an issuer's website would be deemed to constitute delivery.
- Publication of proposed amendments to NI 31-103 to create a framework to address financial exploitation and diminished mental capacity of older and vulnerable clients. The proposed amendments will, among other things, require registrants to take reasonable steps to obtain the name and contact information of a trusted contact person (TCP), as well as the client's written consent to contact the TCP in prescribed circumstances.
- Publication of a proposed National Instrument 45-110 *Start-up Crowdfunding Registration and Prospectus Exemptions* to harmonize the regulatory framework for securities crowdfunding by start-ups and early stage issuers. The proposed instrument contains a prospectus exemption for non-reporting issuers to raise capital through an online funding portal provided conditions are met, including (i) that the portal is relying on the start-up crowdfunding registration exemption or is operated by an exempt market dealer or investment dealer; (ii) the aggregate gross proceeds raised by the issuer during the 12-

months before the closing does not exceed \$1,000,000, (iii) each purchaser invests no more than \$2,500 or, if the purchaser has obtained suitability advice from a registered dealer, \$5,000; (iv) the issuer prepares an offering document. In addition, the proposed instrument contains a dealer registration exemption if certain conditions are met.

- Adoption of amendments to National Instrument 24-102 *Clearing Agency Requirements* to (i) enhance operational system requirements, emphasizing the importance of cyber resilience, and clarifying testing and reporting expectations, (ii) align aspects of the instrument more closely with similar provisions in National Instrument 21-101 *Marketplace Operation*, and (iii) reflect the latest developments and findings of the Committee on Payments and Market Infrastructures and the International Organization of Securities Commissions that are relevant to the Canadian market.
- Adoption of Commission Blanket Order Nos. 25-501, 31-535, 51-509, 51-510, and 81-505 granting temporary relief to regulated entities, registrants, issuers and investment funds from the delivery and filing requirements in securities laws due to the COVID-19 pandemic where the delivery and filing deadlines fall during the period from March 23 to June 1, 2020. The other CSA members adopted corresponding blanket orders applicable in their jurisdictions.
- Adoption of Commission Blanket Order No. 24-503 *Relief From Certain Reporting Requirements Under National Instrument 24-101 Institutional Trade Matching and Settlement* granting exemptive relief to registrants from section 4.1 of NI 24-101 during the period beginning on July 1, 2020 and ending on July 1, 2023 while the CSA considers amendments to NI 24-101. The other CSA members adopted corresponding blanket orders or local rules applicable in their jurisdictions

The Commission's authority to grant discretionary exemptions from securities regulatory requirements provides flexibility to address changes in the capital markets, including for the regulation of new and emerging investment products and business models that may not fit squarely within the traditional regulatory regime, while at the same time ensuring that investor protections are maintained and the fairness and efficiency of the capital markets is fostered. Chart 2 below shows that the Commission met its target for considering eight exemption applications within five business days of the applications being filed.

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



The Commission’s adjudication of enforcement proceedings in a timely manner is aimed at enhancing investor protection, one of the 2019-2020 priorities. As illustrated in Chart 3 below, the Commission exceeded its target this year relating to the timely issuance of an order following a settlement hearing. In 2019-2020, the Commission held one hearing to consider the approval of a settlement agreement and the order approving it was made within 10 business days of final submissions in the hearing, surpassing our target rate of 95%. During the same time period, as illustrated in the Chart 4, the Commission did not conclude any contested matters, although one contested matter was commenced and is ongoing. In addition, during the year, the Commission issued an order imposing sanctions against a Respondent convicted of a securities-related offence under the Criminal Code of Canada.

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

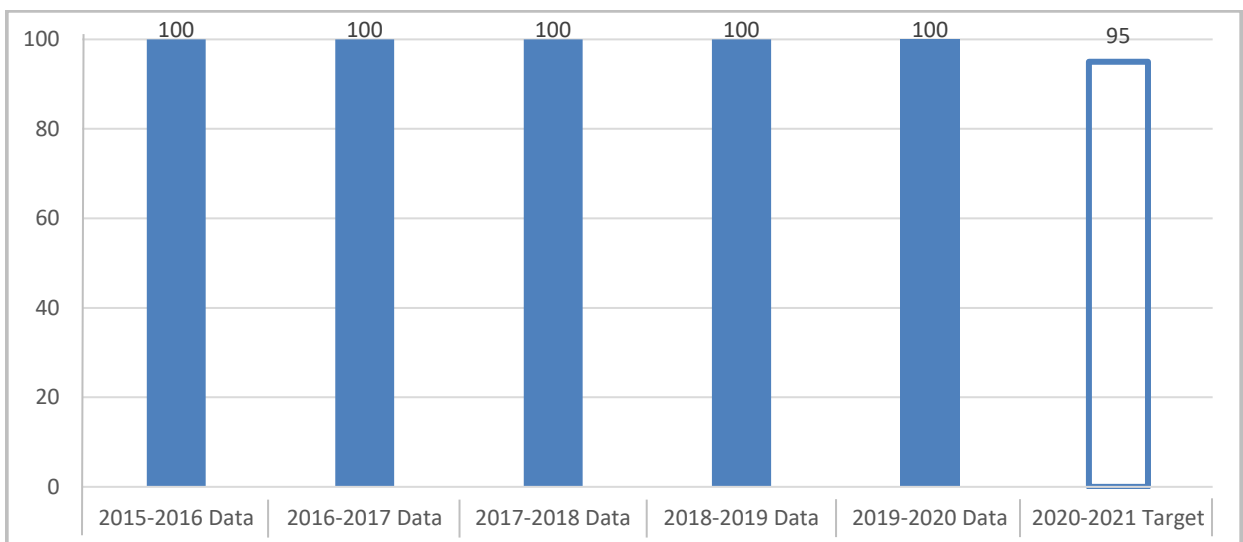
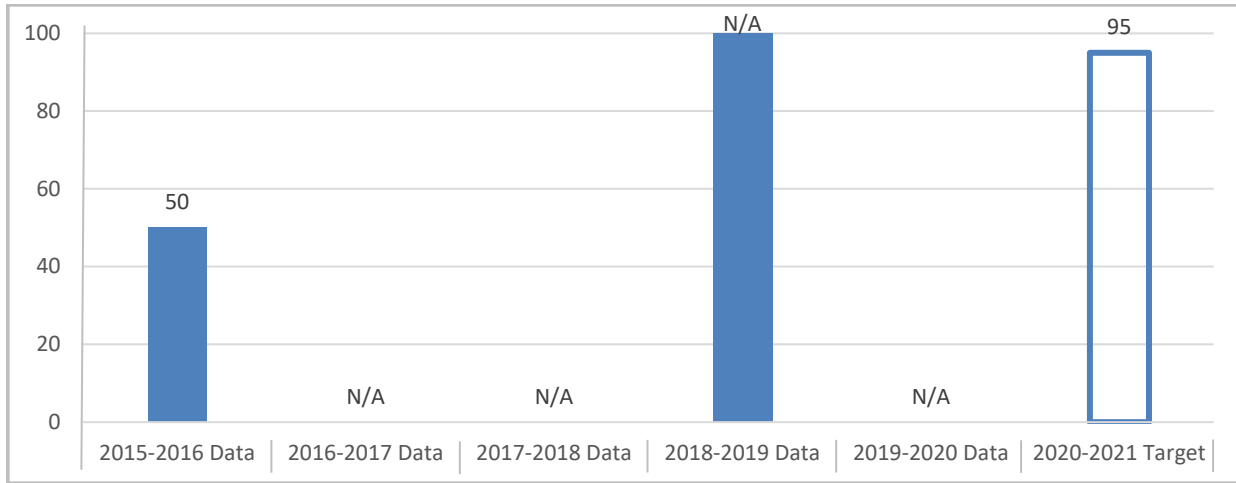


Chart 4: Percentage of orders and decisions made within 90 days of the final submissions from the parties following the conclusion of a contested hearing



## Core Area 2 – Policy and Market Regulation Branch

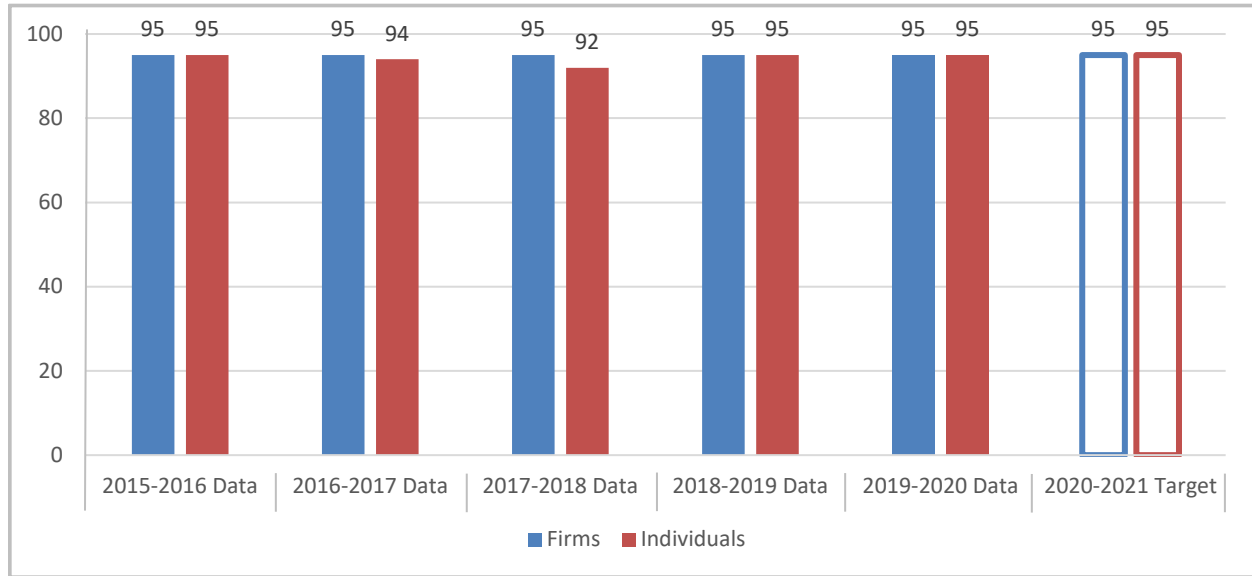
**Outcomes: Enhanced protection of investors resident in Nova Scotia - Changes in the capital markets and regulatory regime addressed in a timely manner - Reduction of regulatory burden on securities industry participants**

The Policy and Market Regulation branch has three main areas of responsibility: Registration, which relates to the registration and oversight of investment professionals and firms in Nova Scotia; Compliance, which relates to the 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.

### Registration

Firms and individuals must satisfy certain requirements in order to be registered and to maintain their registration. By requiring that registrants meet certain standards of proficiency, solvency and integrity, a level of investor protection is provided through the upfront regulatory requirements. As shown in Chart 5 below, in 2019-2020, we met our target for individual and firm registrations that satisfied the regulatory requirements in a timely manner and within CSA mandated timeframes. The efficiency of the registration system has remained steady since the implementation of the passport system for registration in September 2009.

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 Registration staff also continue to work on several committees of the CSA to provide a voice for the stakeholders in Nova Scotia with respect to the formation of new rules and amendments to current rules. To address the changes to the capital markets resulting from the emergence of crypto-asset trading platforms and other new forms of financial technology (fintech), work continues with other Canadian jurisdictions and stakeholders in Nova Scotia through the CSA Regulatory Sandbox to establish the appropriate registration structures for these new and emerging market participants. When there are significant rule changes and enhancements to the registration process, staff provide specific notice to Nova Scotia-based registrants in order to provide a continued robust and streamlined approach to submissions.

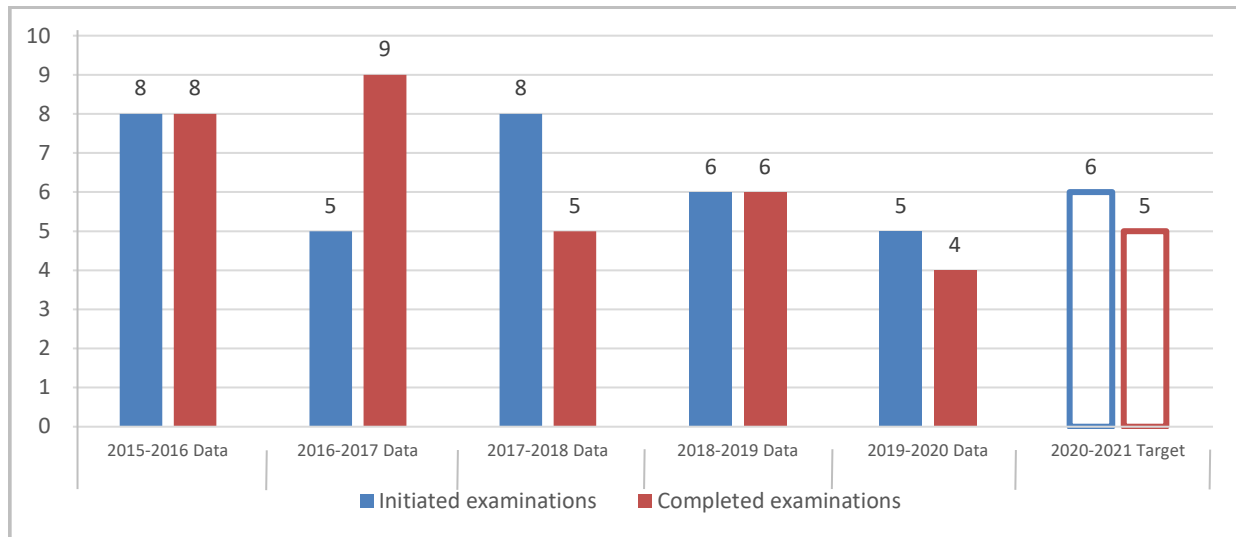
### Compliance

The efficient administration of the Commission’s compliance programs, to ensure that registrants are conducting their activities in accordance with Nova Scotia securities laws, are meant to deter undesirable behavior thereby providing front-end investor protection. Compliance is proactive in nature and, given the appropriate resources and 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. During 2019-2020, the priority for the Commission’s compliance operations was to build efficiencies in our compliance team and programs by hiring a new professional staff member, conducting ongoing team training to enhance expertise, and focusing on activities that protect investors.

The performance measures in Chart 6 below, reflect the efficiency of the compliance program and the Commission’s effectiveness in requiring registered firms that have been the subject of

compliance examinations to correct identified deficiencies so that their business practices and procedures create a safe environment for meeting their clients' investment needs and objectives. The numbers of opened and closed examinations were slightly below target due to onboarding a new staff member, restructuring the market regulation team and processes, and team training. In addition, significant capital market fluctuations early in 2020 related to COVID-19 caused substantial and unexpected increases in the compliance examination workload. It is expected that, with the addition of new staff and continued training, the Commission will be able to increase the number of compliance examinations conducted in Nova Scotia, enhancing front-end investor protection.

Chart 6: Initiated and completed field examinations of Nova Scotia registrants



During 2019-2020, there was a continued focus on the oversight of the Investment Industry Regulatory Organization of Canada and Mutual Fund Dealers Association of Canada, which are self-regulatory organizations (SROs) recognized in Nova Scotia. SRO oversight is an integral part of the Commission's compliance work to provide effective and comprehensive oversight of the SROs in Nova Scotia. As the investment industry in Nova Scotia is mostly comprised of branch offices of registered firms that are members of the SROs, additional resources have been directed to their oversight to ensure the ongoing confidence in the capital market. While this results in fewer direct examinations by staff of the Commission, the 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.

Compliance staff continued 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. Significant work was completed, together with the SROs, related to the adoption of targeted reforms in NI 31-103 to improve the client-registrant relationship and thus enhance front-end investor protection. A national working group was also struck to address the current SRO framework within the Canadian securities regulatory

field, with an intent to work with stakeholders and identify opportunities for improvement and efficiencies. This is a substantial and important project which will continue through fiscal 2021.

### ***Investor Education***

The goal of the Commission's Investor Education (IE) office is to produce engaging and practical investor education programs and to connect with Nova Scotians for the purposes of effective investor protection. The programs and the performance matrix discussed below outline how the IE office continues to enhance investor protections in Nova Scotia by delivering effective and engaging investor education programs, achieving its goal and mandate of educating Nova Scotians on sound investment practices, and sharing the knowledge and skills to recognize and identify securities fraud and questionable investment products and practices.

For the third straight year, the Commission continued to grow its Student Connections program, specifically, in 2019-2020 by more than 50% compared to the previous year. The program connects the IE office with high schools, colleges and universities throughout Nova Scotia. The aim of the program is to reach young people before they begin investing and provide them with basic knowledge to help them avoid mistakes and securities fraud that investors may fall victim to. The program also provides in-depth information on securities regulation and investing to finance classes and business classes made up of students that may one day be employed in the investment industry.

The Student Connection program's annual relaunch began in September 2019 with the invitation letter and information package delivered to professors, instructors, teachers, deans, principals, guidance counsellors, and leaders from youth and student clubs and organizations across Nova Scotia. Immediately after sending out this year's package, the IE office received several inquiries for presentations and more information on the program from schools across the province. Between September, 2019 and March, 2020, Commission staff delivered over 20 presentations to more than 600 Nova Scotia students at schools and post-secondary educational institutions throughout the Province, while traveling more than 1100 kilometers. This included stops at Dalhousie University, Saint Mary's University, Mount Saint Vincent University, and the Nova Scotia College of Art and Design.

The program delivered several presentations to high school students on basic and intermediate investing topics, with stops at Prince Andrew High School in Dartmouth and Charles P. Allen High School in Bedford. The program also continued its long-standing relationship with the Nova Scotia Community College Ivany Campus, by having students from the financial services specialization section of its business school visit the Commission's offices to hear from staff from each of the Commission's core business areas.

This year's big road trips for the program included travelling to Sydney to talk to students and professors from Cape Breton University's Shannon School of Business, and venturing to Wolfville to discuss securities regulation and derivatives with students and professors from Acadia University's F.C. Manning School of Business.

In conjunction with the launch of this year's Student Connections program, the Commission also launched a new webpage, "Investing Information for Young Investors" on the Commission website

– [nssc.novascotia.ca/younginvestors](https://nssc.novascotia.ca/younginvestors). This page is aimed at young investors who are starting to invest or considering investing. The webpage contains videos and blog posts providing fundamental information on “What is investing?,” “Why Should I Invest?,” and “How do I get started in investing?” There is also additional information on basic investments, cryptocurrency and initial coin offerings, securities advisers and robo-advisers, and RRSPs and TFSAs. The webpage also includes information on saving for post-secondary education with a close look at Registered Education Savings Plans (RESPs), and includes a short video “All About RESPs.”

Improving and enhancing the Commission website continues to be a priority for the IE office. Along with creating the Young Investors webpage in September, 2019, we also launched a webpage, “Investing Information for Seniors”, located at [nssc.novascotia.ca/seniors](https://nssc.novascotia.ca/seniors) for Seniors Month in June, 2019. This page allows seniors and family members and caretakers of seniors to learn about investing issues that are important to seniors as well as financial elder abuse. The webpage’s information is available in several different formats including online guides, printable information sheets, blog posts and videos, to provide seniors with the learning format they are most comfortable with.

For Investor Education Month in October 2019, the IE office developed a Back to Basics educational campaign. By looking at information and results gathered by sources like the investor index, securities regulators are aware that many Canadians have less than a basic understanding of investing. Terms like bonds, equities and mutual funds may be familiar to finance majors, but they can be confusing to many Canadians. Most Canadians are also confused when considering what to invest their money in or how to find an adviser that’s right for them. To help novice investors, the Back to Basics campaign consisted of 13 blog posts and 13 accompanying videos on basic investing and securities topics, including information on what the Commission does and on registration and the importance of checking registration.

In addition, during 2019-2020, the IE office continued to add to its library of investor education videos housed on the Commission’s YouTube Channel. We began building our video library last year after signing up to use the Powtoon platform. During 2019-2020, we created and published 21 investor education videos, compared to five the previous year,

The Before You Invest blog also continues to be an important part of our investor education outreach. We continued to publish at least one new post each week, maintaining our weekly question of the week posted every Wednesday. We also wrote additional posts for Fraud Prevention Month, Seniors Month, Investor Education Month, Financial Literacy Month, and other special days throughout the year. Since the blog was relaunched in January 2017, the IE office has published 207 blog posts.

The website enhancements and new investor education content have helped increase the number of user visits to the Commission website. According to our analytics, user sessions on the Commission’s website increased 28% over the previous year. We currently average 3,630 user session per month, up from averaging 2,843 user sessions per month the year prior. We have also seen a steady increase in our followers and engagement numbers on our Twitter feed.

During 2019-2020, the IE office also pursued a goal of increasing the Commission’s partnerships with other financial literacy organizations. We joined the Financial Empowerment Network of Nova



Scotia which has led to new opportunities for presentations and helped us forge relationships with other organizations interested in what the Commission can offer them and their stakeholders. We also met with representatives from OBSI, the Legal Information Society of Nova Scotia, FCAC, CPA Canada, and the Public Service Commission to develop new partnerships to share content and ideas.

The following matrix reflects the achievement of the IE office's goals during the year:

Matrix		
Goals	Actions to achieve Goals	Percentage of Actions Completed to Achieve 2019-2020 Goals
Outreach to local media to build new and existing relationships	<ul style="list-style-type: none"> <li>Regularly updated media list to ensure all media outlets and reporters are being reached.</li> <li>Received regular media inquiries about press releases and successfully pitched media stories.</li> <li>Updated Communications Strategy and Media Policy.</li> </ul>	100%
Improve investor education online resources	<ul style="list-style-type: none"> <li>Created Investing Information for Seniors webpage.</li> <li>Maintained Question of the Week feature with direct input and feedback from the public.</li> <li>Created Young Investors webpage</li> <li>Updated IE videos page with new videos.</li> </ul>	100%
Update Commission website	<ul style="list-style-type: none"> <li>Added new content in Investor Education, Registration and Compliance, and Enforcement sections of the website.</li> <li>Created new pages directed at specific demographics to make finding information faster and easier.</li> </ul>	100%
Improve the reach of the Student Connections Program	<ul style="list-style-type: none"> <li>Made new connections with high school and post-secondary teachers/instructors</li> <li>Delivered more presentations to high schools and post-secondary institutions across the province than in previous years.</li> <li>Created multiple specialized presentations on requested topics.</li> </ul>	100%
Maintain traffic of Commission website and increase reach on social media	<ul style="list-style-type: none"> <li>According to analytics our website sessions increased 28% over last year.</li> <li>Increased our followers on Twitter and better coordinated social media posting schedule.</li> </ul>	100%

Matrix		
Goals	Actions to achieve Goals	Percentage of Actions Completed to Achieve 2019-2020 Goals
Make new contacts in other financial literacy organizations	<ul style="list-style-type: none"> <li>Joined Financial Empowerment Network of Nova Scotia.</li> <li>Held meetings with OBSI, LISNS, FCAC, CPA Canada, PSC.</li> </ul>	100%

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

#### ***Outcomes: Changes in the capital markets and regulatory regime are addressed in a timely manner - Reduction of regulatory burden on securities industry participants***

The operations of the Corporate Finance Branch help to promote an efficient capital market and economy while maintaining investor protection. In pursuit of the Commission's goal set out in the 2019-2020 Business Plan to use its expertise to address market developments and changes that affect Nova Scotians, staff of the Corporate Finance Branch continued to review the regulatory framework applicable to Community Economic Development Corporations in Nova Scotia for the purposes of updating and modernizing the rules, and harmonizing them with regulatory requirements applicable to other capital raising exemptions. Corporate Finance staff also continued their other CSA committee work on the reduction of regulatory burden initiatives, venture issuer regulation, derivatives, investment funds, and offering memorandum exemptions to address developments and make necessary regulatory changes. Staff pursued, when possible, harmonization with other CSA jurisdictions of policies and procedures to continue to streamline Corporate Finance operations. The Corporate Finance project to harmonize crowdfunding rules with other CSA jurisdictions was published for comment. The comment period was extended due to the COVID-19 pandemic which will impact the timing of the new crowdfunding rule.

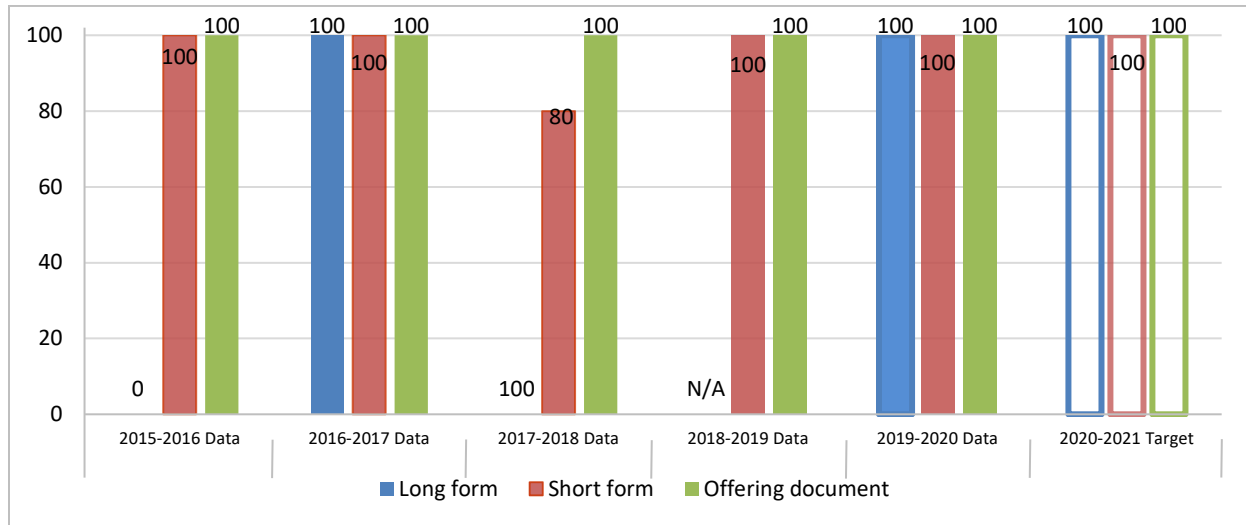
Corporate Finance projects aimed at reducing duplicative and unnecessary regulations for businesses wishing to raise capital in Nova Scotia and elsewhere, resulted in the adoption of rule amendments related to at-the-market distributions of equity securities in June 2020. In addition, the publication of proposed amendments to reduce regulatory burden for investment fund issuers and the publication of proposed amendments to increase the threshold requirements for filing Business Acquisition Reports were also completed in 2019-2020.

The five performance measures set out in Charts 7 and 8 below, demonstrate how efficiently the Corporate Finance Branch reviews and processes prospectuses and other offering documents filed with the Commission as the principal regulator when capital is raised by issuers. In particular, they reflect the issuance of comment letters, non-objection letters and receipts were well within the target timelines. When the Director of Corporate Finance issues a receipt for a prospectus or non-objection letter for an offering document, an issuer can proceed to offer its securities to the public. During 2019-2020, Corporate Finance issued comment letters within three business days

to eight out of eight (100%) short-form prospectus filers. There was one long form prospectus filed during the year, with the comment letter issued within ten business days. All other comment letters, receipts, and non-objection letters were issued within the targeted time frames.

Prospectus issuers with head offices in Nova Scotia raised \$1.85 billion in 2019-2020, while Community Economic Development Corporations (CEDIF issuers) raised \$1.6 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 and 2017-2018, no long form prospectuses were filed.

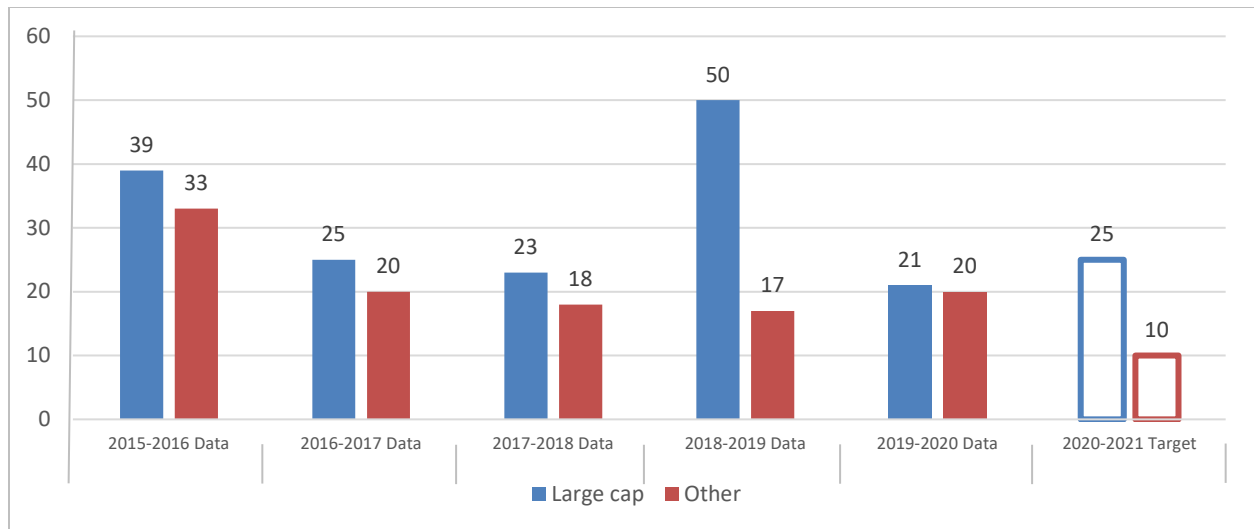
Chart 8: Percentage of issuers based in Nova Scotia who received the receipt for a prospectus or letter of non-objection for an offering document within the mandated timeframes after filing final documents (for receipts, one day; for offering documents, two days)



The Commission’s Corporate Finance staff review public companies’ filings to ensure compliance with securities laws and consistency and uniformity in the information disseminated to the public so that members of the public make informed investment decisions based upon that information. In 2019-2020, the Commission completed reviews of Nova Scotian based public companies’ continuous disclosure in two streams, separated by market capitalization: 1) large capital; and 2) other or small capital sized firms. Each of these streams review the public companies’ compliance with its filing requirements.

As illustrated in Chart 9 below, the Commission’s targets to complete continuous disclosure reviews is 25% of Nova Scotia’s large cap public companies, based on a market capitalization of \$22.7 billion, and 10% of its other or small capital reporting issuers, based on 20 other issuers. While the large capital firm reviews were slightly below target, the small cap reviews exceeded the targets in 2019-2020. Commission staff completed reviews for \$5.0 billion out of the \$22.7 billion (21%) of Nova Scotia’s large cap public companies (six out of 14 large cap reporting issuers) and four out of 20 of the other or small cap reporting issuers. While large cap public company reviews are based on market capitalization, other issuer reviews are based on the number of public companies due to market price volatility.

Chart 9: Percentage of reporting issuers based in Nova Scotia that had a review of their continuous disclosure filings in the year



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 issuer has failed to file its financial statements as required by securities laws. In 2014, to further reduce administrative requirements, the Commission removed the requirement to hold a hearing for failing to file disclosure documents. The delegation and the enhancement to issue a cease trade order has improved the efficiency and responsiveness of our Corporate Finance Branch to issue such orders and allowed Commission resources to be more effectively utilized. In 2019-2020, the Director of Corporate Finance issued three cease trade orders for failure to file financial and

associated disclosure within mandated timeframes. Two of these cease trade orders remain in force.

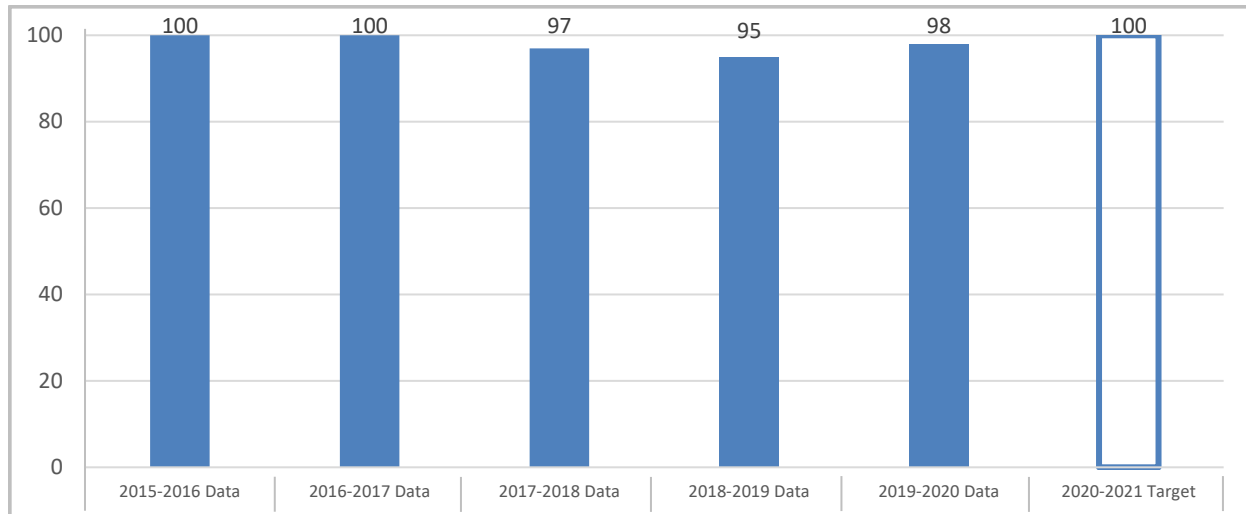
### **Core Area 4 – Enforcement Branch**

#### **Outcomes: Enhanced protection of investors resident in Nova Scotia**

The purpose of the Commission’s enforcement initiatives is to deter undesirable behavior in the capital markets and to provide effective investor protection. Front-end investor protection is provided by the Enforcement Branch through issuing investor alerts to warn the public about parties that may be violating securities laws or operating scams and monitoring for disrupting questionable securities related activities. The Enforcement Branch also provides investor protection through the prosecution of securities law violations and the sanctioning of bad actors. The performance measures indicate that Enforcement Branch staff 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, despite being understaffed during the 2019-2020 fiscal year, the Enforcement Branch consistently met its three-day target for reviewing and confirming initial assessments of each complaint received, save for two matters. The initial assessment in those two matters took longer to complete due to the complexity and volume of the materials provided and unexpected loss of enforcement staff.

*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 days of receipt of complaint*



In the 2019-2020 fiscal year, the Enforcement Branch received 85 complaints<sup>3</sup> of which 38 were opened as investigation files. The remaining 47 complaints were determined to be unactionable.

<sup>3</sup> “Complaints” in this Report include: public complaints; public inquiries; referrals by self-regulatory organizations and other regulatory authorities, both inside and outside of Canada; self-reporting; internal departmental referrals;

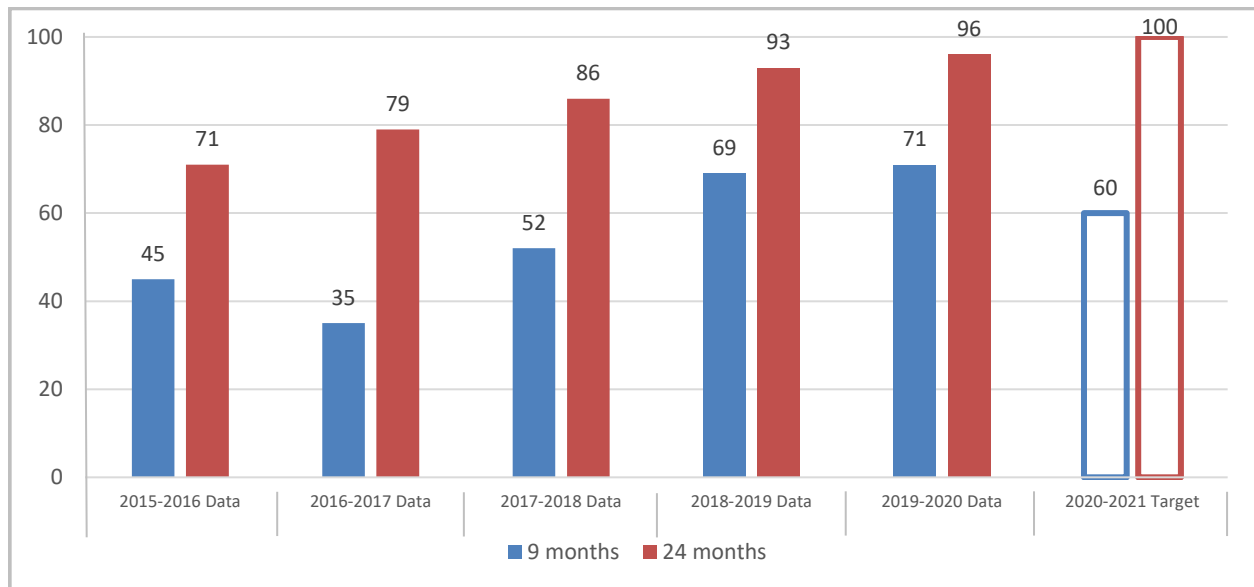
inquiries. A significant amount of Enforcement Branch time and resources are expended in responding to all complaints, including those that do not result in investigative or enforcement action.

With each complaint, the preliminary facts must be assessed to determine if the Enforcement Branch has jurisdiction to initiate an investigation. Enforcement jurisdiction only exists where there is a locational nexus to a “distribution” or “trade” in a “security” or “derivative”.

24 investigation files were concluded in 2019-2020. Of those 24 files, 17 files (71%) were concluded within the first nine months of commencing the investigation. Six files (25%) took between nine and 24 months to conclude. Only one file took in excess of the 24-month target to conclude.

Chart 11 below depicts an increase in the percentage of investigations concluded as metrics require that 60% of all investigations be concluded within nine months and 100% of all investigations be concluded within 24 months. Due to the growing complexity of investigation files as a result of both traditional and new financial instruments, coupled with the growing volume of available records, investigations are both more complex and more time consuming.

*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*



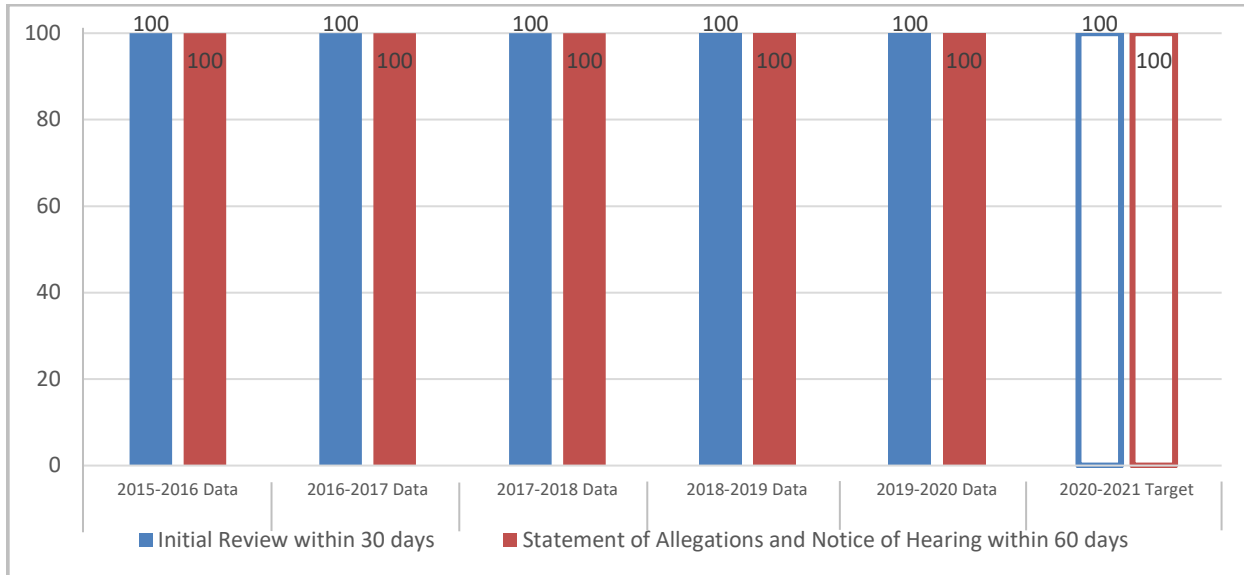
The timely conclusion of Enforcement Branch litigation files requires the achievement of two key benchmarks once a file has been referred to enforcement counsel following investigation: 1) the completion of an initial review within 30 days; and 2) the initiation of issuance of the Statement of Allegations and Notice of Hearing within 60 days of referral or conclusion of any negotiations.

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internal surveillance efforts and monitoring of online sources, media, social media, civil court actions and criminal conviction searches.

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*



In 2019-2020, the Enforcement Branch brought three enforcement proceedings to conclusion. These proceedings resulted in the imposition of numerous regulatory sanctions, \$189,500 in administrative penalties, and \$5,500 in cost recoveries. The Enforcement Branch also applied for and received one order imposing sanctions against a Respondent convicted of a securities-related offence under the Criminal Code. In addition, the Enforcement Branch commenced proceedings for temporary measures against two Respondents which resulted in the temporary imposition of preventative orders against the Respondents to stop questionable activities and protect the investing public pending a full investigation and hearing on the merits.

The Enforcement Branch spends a significant amount of time and resources conducting analysis of scams and other threats to Nova Scotians with the objective of disruption. Disruption measures include the issuance of investor alerts on a local and national basis as well as working with various social media and other online platforms to remove advertisements and otherwise disrupt illegal securities-related schemes. The Enforcement Branch had countless illegal online investment solicitations removed to protect the investing public. The Enforcement Branch issued or contributed to the issuance of 13 local and national investor alerts to notify the investing public of known or suspected scams.

The Enforcement Branch continues to participate in CSA committee work to harmonize investigative and litigation methods, to streamline and standardize procedures to better utilize resources, and to expedite complaint resolution. Examples of this are the Enforcement Committee,

the Investment Fraud Task Force, the Data Analytics Forum, the Reciprocal Order Forum, the Legal Privilege Forum, Cooperation with Federal Agencies Working Group, and the Insider Trading and Market Manipulation Forum.

In March 2020, the Enforcement Branch joined other state and provincial securities regulators to participate in the Covid-19 Enforcement Task Force, a coordinated provincial and state probe into Covid-19-related investment scams formed by the North American Securities Administrators Association (NASAA), of which the Commission is a member. This task force is modelled after the successful 2018 NASAA Operation Cryptosweep to enhance investor protection.



## Supplemental Information and Appendices

While there is no one national securities regulator in Canada, staff of the Commission work closely with staff of the other CSA members with the goal of adopting a harmonized and coordinated approach to securities regulation and enforcement in Canada. The Commission is also a member of NASAA, comprised of members from each of the securities regulators in Canada, the United States, and Mexico, of which staff of the Commission are actively involved in some NASAA initiatives. Some of the CSA and NASAA initiatives include:

### *NASAA Covid-19 Enforcement Task Force*

Since March/April 2020, more than 100 investigators from the Commission and 43 other jurisdictions in Canada, the United States and Mexico have been involved in a coordinated series of inquiries, investigations, and enforcement actions securities regulators related to COVID-19 investment scams. Since the COVID-19 pandemic emerged, the NASAA members have seen an increase in potentially fraudulent investment schemes. These schemes often appear legitimate because they refer to current news, medical reports and social and political developments. Further, some schemes are targeting vulnerable senior investors who are experiencing unprecedented quarantines to protect against the spread of COVID-19. The aim of the Task Force is to root out and shut down frauds related to the COVID-19 pandemic.

As of June 16, 2020, provincial and state securities investigators identified 91 investment-related matters as potentially fraudulent and there are 54 active and open investigations. Individual jurisdictions working as part of the task force have been and will be taking regulatory action to address these threats, including the issuance of investor alerts and other cease trade orders.

## 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 2019-2020
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