



Securities Commission

Annual Accountability Report
for the Fiscal Year 2020 – 2021

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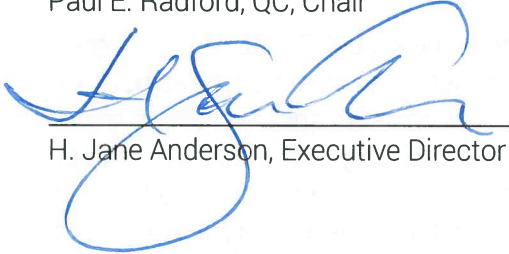
Accountability Statement

The Accountability Report of the Nova Scotia Securities Commission (the Commission) for the year ended March 31, 2021, 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 2020-2021 Business Plan.

A handwritten signature in blue ink, consisting of several loops and a final vertical stroke, positioned above a horizontal line.

Paul E. Radford, QC, Chair

A handwritten signature in blue ink, featuring a large, stylized 'H' and 'A' with a long horizontal stroke, positioned above a horizontal line.

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: (i) the regulatory, administrative, and adjudicative activities of the Commission board; (ii) the policy development, registration, compliance, self-regulatory organization (SRO) oversight, and investor education activities of the Policy and Market Regulation Branch; (iii) the offering document review and continuous disclosure review activities of the Corporate Finance Branch; and (iv) the investigation and enforcement activities of the Enforcement Branch.

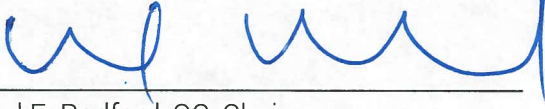
This report describes the Commission's significant activities and accomplishments in each of these business areas during the past year, with particular reference to the progress we have made in achieving the goals and priorities set out in the Commission's 2020-2021 Business Plan, which is available on the Commission's website.

Fiscal 2020-2021 represented a full year of operations during the global COVID-19 pandemic. While in-office activities were affected, staff and Commission members were able to adjust to a hybrid of in-office and remote operations. As a result, the Commission was able to respond to the additional impact on the markets caused by the pandemic, including the effect on market participants as a result of significant market volatility and the increase in COVID-19 related scams during the year. In addition, with continued attention to reducing regulatory burden, the Commission, through the issuance of blanket orders and a rule amendment, provided temporary relief to market participants in Nova Scotia by extending certain filing and delivery requirements, and deferring the payment of certain fees. The Commission also carried on its usual operations to achieve its 2020-2021 goals.

As a result of the continued growth in financial technology and innovation affecting 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 Canadian Securities Administrators (CSA) Regulatory Sandbox Committee to assess the scope and nature of regulatory implications, and modernize the securities regulatory framework for financial technology. The Enforcement Branch also 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 2020-2021 increased by 3.2%, or \$0.678 million, from the prior year to \$22.105 million. This increase in our revenues is attributable to an increase in corporate finance filings and registrant applications. Our total expenditures for 2020-2021 increased by 10.8% or \$0.257 million, over the prior year to \$2.658 million. This increase

of expenditures relates to hearing related and legal costs. Our total expenditures for the year were \$0.264 million under our approved budget of \$2.922 million.



Paul E. Radford, QC, Chair

Financial Results

Core Business (All)	2020-2021 Estimate (\$ thousands)	2020-2021 Actual (\$ thousands)	Variance (\$ thousands)
Revenues	(20,900)	(22,105)	1,205 ¹
Expenditures			
Salaries and Benefits	2,247	1,887	360
Operating Costs	675	771	(96) ²
Cost Recoveries	-	-	-
Total Expenditures	2,922	2,658	264
Net Revenue	(17,978)	(19,477)	1,469
FTEs	19.0	16.85	2.15

¹ Revenues were higher than budgeted due to an increase in the volume of corporate finance filings and registration applications.

² Higher operating costs compared to estimate were the result of increased hearings and legal costs.

Priorities and Measuring Our Performance

In the Commission's Business Plan for 2020-2021, 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 achieving these priority outcomes which is accomplished through the efficient administration of the Commission's core business areas and its 2020-2021 goals of (i) enhancing front-end investor protection initiatives to reduce the need for enforcement action after irreversible losses occur; (ii) identifying and investigating securities market violations and taking enforcement action to terminate and deter unlawful conduct; (iii) using its expertise in addressing market developments and other changes that affect Nova Scotians; and (iv) working with 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 2016-2017 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

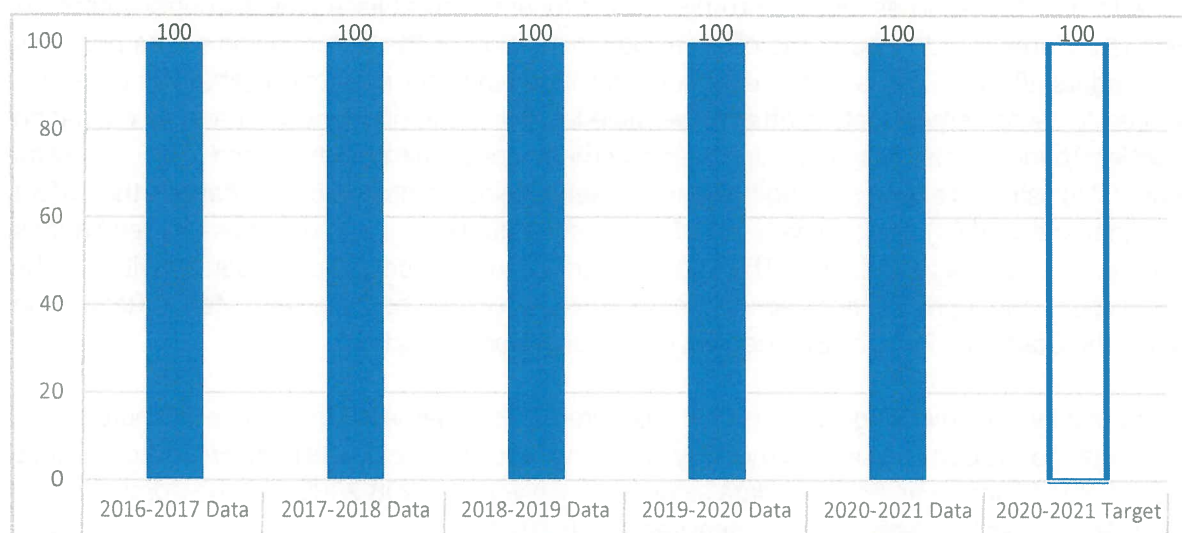
Outcomes: Enhanced protection of investors resident in Nova Scotia - Changes in the capital markets and regulatory regime addressed in a timely manner - Reduction of regulatory burden on securities industry participants

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.

In order to reduce the sudden impact caused by the COVID-19 pandemic and reduce regulatory burden, at the beginning of the year the Commission board issued twelve Blanket Orders to provide temporary relief to market participants in Nova Scotia from certain delivery and filing requirements, including extending certain delivery and filing deadlines for three months. In addition, the Commission board adopted Rule 11-508 (Amendment) *Amendments to The Fees Schedules in The General Securities Rules* which permitted a fee deferral for annual financial statements and annual information forms which enabled issuers to meet their continuous disclosure obligations but defer the payment of the filing fees for three months.

In addition, 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, as shown in Chart 1 below. 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 underneath 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 relating to National Instruments (NI), Multilateral Instruments (MI) and Companion Policies (CP) – and the corresponding Commission Rules and Policies – and coordinated Blanket Orders (BO). Other major policy initiatives were aimed at addressing developments and other changes in the securities markets that affect Nova Scotians.

- Publication of a consultation paper to facilitate discussion of concerns relating to activist short selling and its potential impact on Canadian capital markets. The term “activist short selling” refers to instances where an individual or entity takes a short position in a security and then makes a public statement, issues a report, or otherwise publicly shares information or analysis that is likely to have a negative effect on the price of the security. If the value of the security declines, the short seller realizes a profit. Activist short selling is not new; however, these campaigns have received considerably more attention in recent years. The type of conduct that gives rise to concerns in the context of activist short selling campaigns includes: (i) disseminating unbalanced information that does not provide a complete picture, does not include other material contrary information or is inconsistent with information disclosed in a broader report; (ii) disseminating exaggerated reports or

commentary; (iii) making conclusions not based on evidence; and/or (iv) making potentially misleading statements through links to other documents.

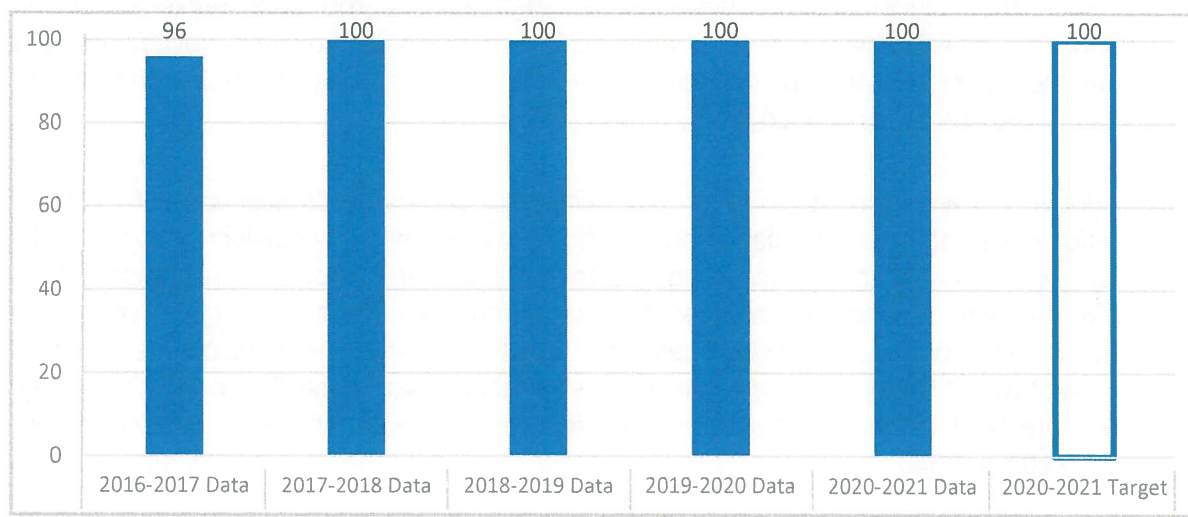
- Publication of a consultation paper relating to the CSA initiative to review the regulatory framework for SROs in Canada because the current SRO regulatory framework has been in place for almost twenty years, and the delivery of financial services and products has continued to evolve and the channels have converged. In response to the evolution of the industry and submissions formulated by a group of industry participants, the CSA believes that it is appropriate to revisit the current structure of the SRO regulatory framework and to seek comments from all stakeholders at this time.
- Issuance of twelve Commission Blanket Orders providing temporary relief to market participants in Nova Scotia from several regulatory requirements and extending the effective date of other amendments to regulatory requirements because of the COVID-19 pandemic.
- Adopting amendments to BO No. 45-524 *In The Matter Of Start-Up Crowdfunding Registration And Prospectus Exemptions*, which creates both registration and prospectus exemptions for start-up crowdfunding, to extend the expiration date of the BO until the date that is 90 days after the adoption of a proposed NI providing registration and prospectus exemptions for crowdfunding.
- Issuance of BO No. 81-508 to provide exemptions from NI 81-104 *Alternative Mutual Funds*. Because very few of the existing 80,000+ mutual fund restricted individuals (MFRIs) meet current proficiency requirements and that the existing course options in NI 81-104 contain little material on alternative mutual fund products, the Blanket Order permits MFRIs, principal distributors and participating dealers to trade in alternative mutual funds provided that MFRIs and supervisors pass one of two courses focused on alternative mutual funds.
- Issuance of Designation Order No. 95-102 order designating over-the-counter derivatives to be securities for the purposes of the prospectus requirements to harmonize the treatment of derivatives across Canada.
- Publication of proposed amendments to NI 14-101 *Definitions* to
 - adopt a uniform definition of "Canadian financial institution" that applies to all national and multilateral instruments; and
 - introduce a revised definition of "Handbook" to reflect the separate publications of the Chartered Professional Accountants of Canada that relate to accounting and assurance. These publications set out the Canadian accounting and assurance frameworks.

- Adoption of amendments to NI 21-101 *Marketplace Operation* (NI 21-101) to reduce the regulatory burden associated with certain reporting requirements for marketplaces and information processors (IPs) while maintaining a robust reporting framework that supports the objectives of the CSA's oversight, including providing protection to investors and fostering fair and efficient capital markets and investor confidence. In particular, the reporting requirements are streamlined by eliminating the need to report superfluous information and eliminating duplicative reporting requirements; and systems-related requirements are enhanced by optimizing the reporting of material systems incidents by marketplaces and IPs, establishing requirements to promote the cyber resilience of marketplaces and IPs, and providing for consistency with recent changes to the systems requirements for clearing agencies.
- Adoption of amendments to NI 21-101 to prescribe mandatory post-trade transparency of trades in government debt securities and to expand the transparency of trades in corporate debt securities. The amendments adjust the rule framework to require all persons or companies that execute trades in government and corporate debt securities to report such trades to an IP.
- Publication of proposed amendments to NI 33-109 *Registration Information* and related consequential amendments as part of the project to modernize registration information requirements while reducing regulatory burden. The registration information requirements will provide greater clarity on the information to be submitted by registrants, to help provide complete and accurate registration information, to reduce the regulatory burden of doing so, and to allow the CSA to receive the information necessary to carry out its regulatory function. The proposed targeted amendments include, among others: (i) establishing a new reporting framework for reporting outside business activities carried on by registrants outside of their sponsoring firms; (ii) implementing a new rule to replace the existing practice of imposing terms and conditions which restrict the client base of registrants whose outside business activities are positions of influence; (iii) extending the deadline to report changes in registration information; and (iv) modifying or clarifying certain registration information requirements to adjust the burden of collection.
- Adoption of amendments to NI 44-102 *Shelf Distributions* and changes to its companion policy providing for an exemption from the prospectus delivery requirements for at-the-market (ATM) distributions. The amendments replace discretionary exemptive relief that has historically been required by issuers conducting ATM distributions of equity securities.
- Adoption of NI 45-106 *Prospectus Exemptions* and consequential amendments to NI 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (NI 31-103) to implement changes to the mortgage exemptions available for the distribution of syndicated mortgages, including,
 - removing the registration and prospectus exemptions for the distribution of syndicated mortgages;

- amending the private issuer prospectus exemption so that it is no longer available for the distribution of syndicated mortgages; and
 - introducing additional requirements to the offering memorandum prospectus exemption (the OM Exemption), which will apply when the OM Exemption is used to distribute syndicated mortgages.
- Issuance of Commission Blanket Order No. 45-528 *In the Matter of Relief from the Prospectus and Registration Requirements for Qualified Syndicated Mortgages* to provide exemptions from (i) the dealer registration and prospectus requirements for "qualified syndicated mortgages" which are more like conventional mortgages, (ii) the dealer registration and prospectus requirements for syndicated mortgages to a mortgage broker acting as principal that is licensed under legislation governing mortgage brokers in Nova Scotia, and (iii) the dealer registration requirement for the issuance of syndicated mortgages to "permitted clients" as defined in NI 31-103.
- Adoption of amendments to NI 51-102 *Continuous Disclosure Obligations* (NI 51-102) to reduce the regulatory burden resulting from the Business Acquisition Report (BAR) requirements without compromising investor protection. In particular, the amendments (i) alter the determination of significance for reporting issuers that are not venture issuers from any one of the existing significance tests that trigger the BAR, to the requirement that at least two of the existing significance tests be met (a Two-Trigger Test); and (ii) increase the threshold of the significance tests for reporting issuers that are not venture issuers from 20% to 30%.
- Publication of proposed amendments to NI 51-102 and other consequential amendments to change the annual and interim filing requirements of reporting issuers (other than investment funds). Specifically, to streamline and clarify certain disclosure requirements for the management's discussion and analysis (MD&A) and the annual information form (AIF). In addition, they combine the financial statements, MD&A and, where applicable, AIF into one reporting document called the annual disclosure statement for annual reporting purposes, and the interim disclosure statement for interim reporting purposes.
- Adoption of amendments to NI 81-105 *Mutual Fund Sales Practices* to effectively prohibit the payment of mutual fund trailing commissions to dealers who are not subject to the obligation to make a suitability determination. Such dealers would include, among others, order-execution only dealers and dealers acting on behalf of a "permitted client" that has waived the suitability requirements. Such dealers will not receive compensation when they do not provide a corresponding service.
- Publication of Joint CSA/IIROC Staff Notice 21-329 *Guidance for Crypto-Asset Trading Platforms: Compliance with Regulatory Requirements* to provide guidance on how securities legislation applies to platforms that facilitate or propose to facilitate the trading of crypto assets that are themselves securities, or as instruments or contracts involving crypto assets that constitute securities or derivatives.

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 nine exemption applications (for which the Commission was either the Principal Regulator or was participating in a Coordinated review) 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 2020-2021 priorities. As illustrated in Chart 3 below, the Commission exceeded its target this year relating to the timely issuance of orders following settlement hearings. In 2020-2021 the Commission held two hearings to consider the approval of settlement agreements and the orders approving them were both made within 10 business days of final submissions in the hearing, surpassing our target rate of 95%.

During the same period, as illustrated in the Chart 4, the Commission concluded four contested matters within 90 days of the final submissions from the parties. During 2020-2021, the Commission also issued Temporary Cease Trade Orders against two respondents, one of which has been extended until the hearing of the matter is concluded.

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

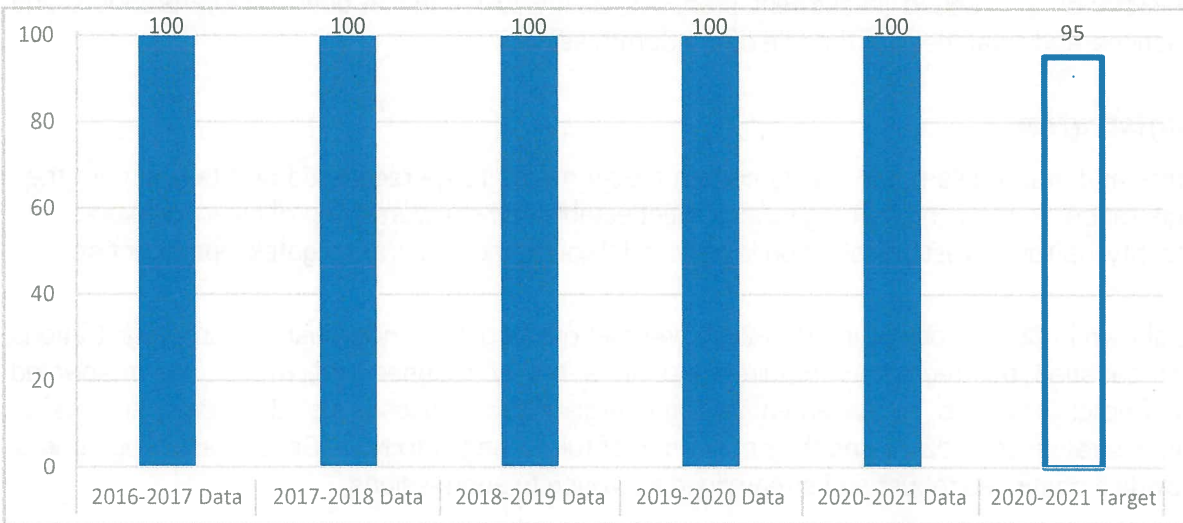
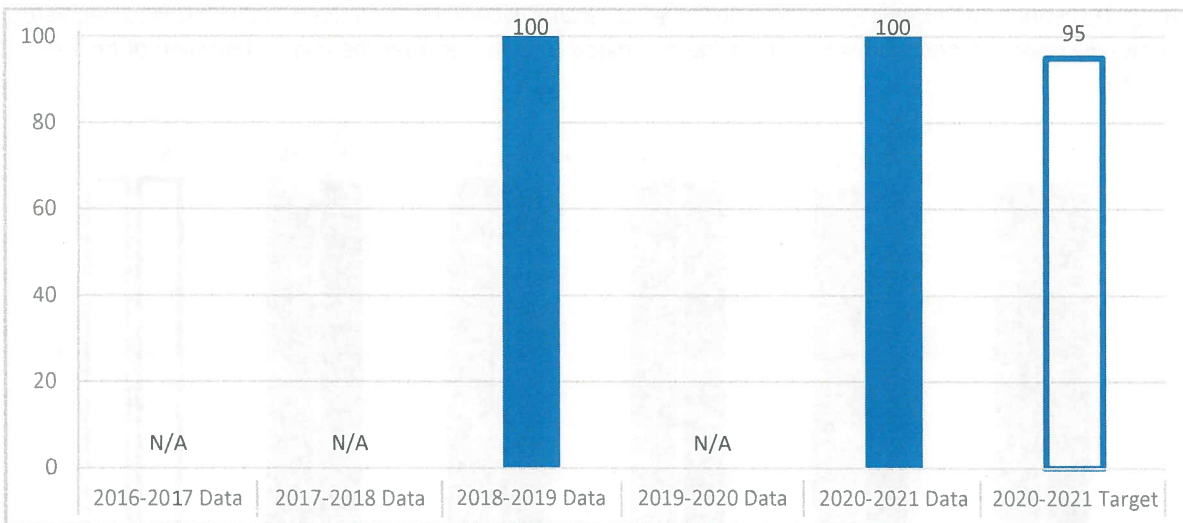


Chart 4: Percentage of orders and decisions made within 90 days of the final submissions from the parties following the conclusion of a contested hearing



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 four 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; SRO oversight, which relates to the supervision and oversight of the SROs; 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.

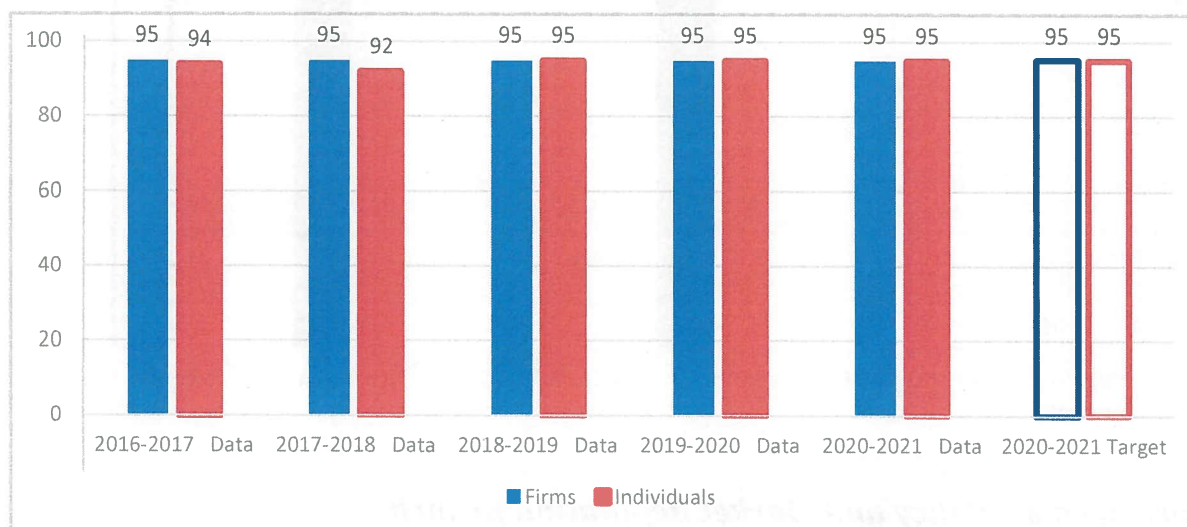
Registration

Firms and individuals must satisfy certain requirements to be registered and to maintain their registration. By requiring that registrants meet established standards of proficiency, solvency and integrity, upfront investor protection is provided through the registration gatekeeper function.

As shown in Chart 5 below, in 2020-2021, we met our target for individual and firm registrations that satisfied the regulatory requirements in a timely manner and within CSA mandated timeframes. Ongoing enhancements to the registration process, including amendments to administrative procedures and the notification of rule changes to Nova Scotia-based registrants, provide a continued robust and streamlined approach to submissions.

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 stakeholders in Nova Scotia with respect to the formation of new rules and amendments to current rules. Crypto-asset trading platforms and other new forms of financial technology (fintech) continued to develop and present challenges to the current registration framework. Work continued with other Canadian jurisdictions to establish the appropriate

registration structures for these new market participants. Staff of the Commission developed new policies and procedures that clarified the Commission's compliance with the *Fair Registration Act*, which are now publicly available on the Commission's website.

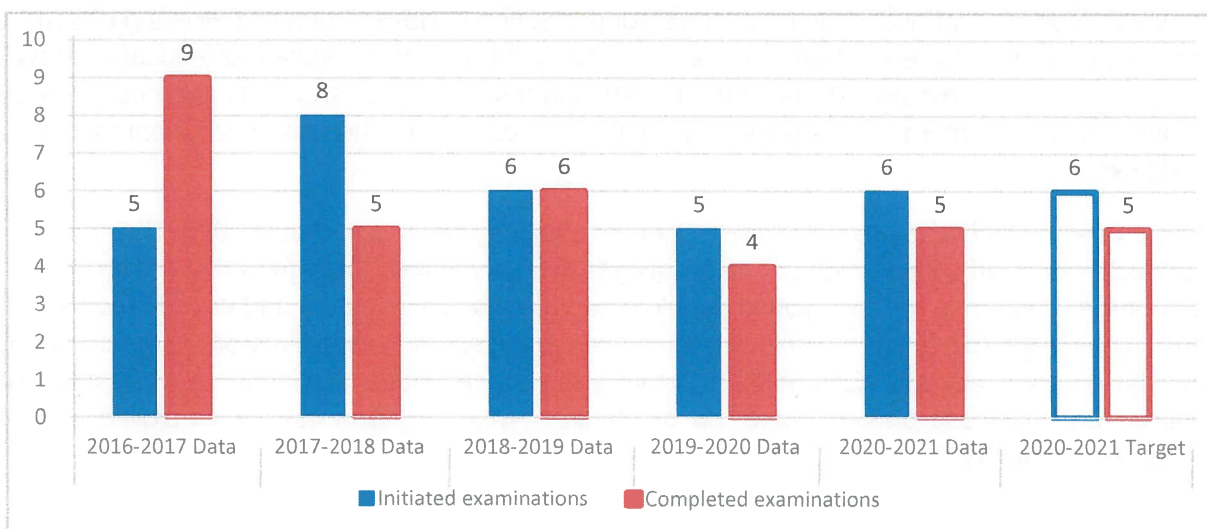
Compliance

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 2020-2021, the priority for the Commission's compliance operations was to continue to build efficiencies in our compliance team and programs by conducting ongoing team training and enhancing expertise, with a focus 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 on target in 2020-2021 despite the significant capital market fluctuations early in 2020 related to COVID-19 which caused substantial and unexpected increases in the compliance examination workload. The move to remote examinations due to COVID-19 restrictions was a relatively smooth transition.

Ongoing CSA initiatives regarding client focused reforms, investment fund fee transparency, reduction of embedded fees, the use of registrant titles, and a regulatory framework to address financial exploitation and cognitive impairment among older and vulnerable investors will enhance investor protection. National committee work provides a voice for stakeholders in Nova Scotia.

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



Self-Regulatory Organization Oversight

During 2020-2021, there was a continued focus on the oversight of the Investment Industry Regulatory Organization of Canada (IIROC) and Mutual Fund Dealers Association of Canada (MFDA), which are SROs that are recognized in Nova Scotia. SRO oversight is an integral part of the Commission's compliance work to ensure that the SROs provide appropriate supervision of their members located 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, resources have been directed to SRO oversight to make sure their members are complying with Nova Scotia securities laws. 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 their SROs and better supervision of the many branch offices located in this jurisdiction. Additionally, a new *CSA SRO and Protection Fund Oversight Methodology and Process* was developed and implemented which streamlines the oversight process.

Market Regulation staff, together with the SROs, 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 related to the implementation of the client focused reforms and investment fund fee transparency to enhance front-end investor protection.

A national working group was struck in fiscal 2020 to address the current SRO framework within the Canadian securities regulatory system, with the intent to work with stakeholders and identify opportunities for improvement. This work was accomplished in fiscal 2021 with the development of an alternative SRO framework. This is a substantial and important project which will begin implementation in fiscal 2022.

Investor Education

The goal of the Commission's Investor Education (IE) office is to produce engaging and practical investor education content and to deliver it in various channels so as to connect with as many Nova Scotians as possible. The materials and the performance matrix discussed below outline how the IE office continues to enhance investor protection in Nova Scotia by delivering effective and engaging investor education materials to achieve its goal and mandate of educating Nova Scotians on sound investment practices, and sharing the knowledge and skills to recognize and avoid historic and emerging securities fraudulent schemes and questionable investment products and practices.

The IE Office launched its annual Student Connections program in September, 2020. 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 and business classes made up of students that may one day be employed in the investment industry.

In 2020-21 the IE Office had to make some changes to the Student Connections program to adapt to the COVID-19 pandemic. Due to the pandemic, Commission staff were not able to go into high schools, universities or colleges anywhere in the province. To adapt, the program was taken completely online and all presentations were made virtually through MS Teams, Zoom, Google Classroom, and other programs used by schools to offer online learning.

The number of presentations to schools during the 2020-21 year rose by 25 % compared to last year. Commission staff virtually visited several schools, including Prince Andrew High School, Dartmouth High School, Cole Harbour High School, C.P. Allen High School, Mount Saint Vincent University, Saint Mary's University, Cape Breton University, and NSCC Ivany Campus. The IE Office was able to maintain several relationships at schools from previous years and it is expected that these relationships will continue and allow the IE Office to maintain our presence in these schools, while continuing to add more schools in the future.

Due to the pandemic, the IE Office also launched a new education page on the NSSC website. In April, 2020 the [COVID-19 Investing Information](#) webpage was made public. The site housed all new releases, notices, and orders regarding COVID-19 relief, fraud and other investment-related updates from the Commission, CSA, NASAA and SROs. The site was consistently updated when new releases, notices and orders were published.

The COVID-19 webpage also contained educational materials, including two new videos, (one on COVID-19 investment fraud, and one for the investment industry on COVID-19 relief being offered by regulators). The webpage also contains information on stock market volatility and working with your adviser to provide answers and guidance to the public during a time of economic upheaval brought on by the pandemic.

The Commission's website saw a significant increase in traffic during 2020-21. In 2019-20, the Commission's website averaged 3,630 visitors per month, which was a 28% increase when compared to the previous year. In 2020-21 the Commission's website averaged just over 8,600 visitors per month, a 136% increase when compared to the previous year. Most of this increase was visitors to the educational resources sections of the website, including blog posts, videos and resources shared through our social channels.

Along with the COVID-19 Investing Information webpage, other additions and enhancements made to the website last year included, updated social media links on the front page, an employment opportunities page, updates to the issuer and crowdfunding pages, and the registration section.

The IE Office continued to add to our YouTube Channel last year with the production of 14 new investor education videos. These included the COVID-19 videos, a Stocks 101 series on equity investing for Investor Education month, a video on how investments make money for Financial Literacy Month, and a Spot the Red Flags of Investment Fraud series for Fraud Prevention Month. Views on our YouTube channel were up 28% compared to the previous year.

The IE Office added a new social media channel in 2020-21 by taking over the Commission's LinkedIn page. All information on the page was updated and a plan to make at least three posts a week to the news feed was implemented. For the Commission's Twitter and LinkedIn feeds, sets of specialized social media images were created to link back to the most popular evergreen

content on the website. Some of the first images were created to link to website posts on checking registration, RESPs, the warning signs of fraud, and the difference between saving and investing. Additional image packages were created throughout the year, including special ones for seniors and tax time.

The Before You Invest blog also continues to be an important part of the Commission's investor education outreach. The IE Office continued to publish at least one new post each week, maintaining the weekly question of the week posts every Wednesday. The IE office also wrote additional posts for Fraud Prevention Month, Seniors Month, Investor Education Month, Financial Literacy Month, and other special days throughout the year. There were 57 posts published last year, and since the blog was relaunched in January 2017, a total of 264 blog posts have been published.

During 2020-21, the IE Office continued to pursue its goal of increasing the Commission's partnerships with other financial literacy organizations. This was harder during the past year due to the pandemic cancelling all in-person events and meetings. However, the IE Office still attended regular virtual meetings of 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. A Commission staff member also joined the NASAA Alerts and Advisories Committee, as well as the CSA Investor Education Committee Working Group. The IE Office also grew relationships with the Legal Information Society of Nova Scotia, FCAC, Public Service Commission and CFA Societies Canada.

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 2020-2021 Goals
Outreach to local media to build new and existing relationships	<ul style="list-style-type: none"> Regularly updated media list to ensure all media outlets and reporters are being reached. Received regular media inquiries about press releases and successfully pitched media stories. Finalized Communications Strategy and Media Policy. 	100%
Improve investor education online resources	<ul style="list-style-type: none"> Updated Before You Invest blog weekly and created new social media images that link back to most popular evergreen content. Launched the Commission LinkedIn page with new and scheduled content. Updated IE videos page and YouTube Channel with 14 new videos. 	100%

Matrix		
Goals	Actions to achieve Goals	Percentage of Actions Completed to Achieve 2020-2021 Goals
Update Commission website	<ul style="list-style-type: none"> Added new content in Investor Education, Registration and Compliance, and Issuers/Crowdfunding sections of the website. Created COVID-19 Investing Information webpage. Added new links to our social channels on the website front page 	100%
Improve the reach of the Student Connections Program	<ul style="list-style-type: none"> Made new connections with high school and post-secondary teachers/instructors Delivered more presentations to high schools and post-secondary institutions across the province than in previous years. Created multiple specialized presentations on requested topics. 	100%
Maintain traffic of Commission website and increase reach on social media	<ul style="list-style-type: none"> According to analytics our website sessions increased 136% over last year. Increased our followers on Twitter and better coordinated our social media posting schedule. Increased views of our YouTube content 28% Added LinkedIn to our social media channels 	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 2020-2021 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 prospectus exemptions and regulation of fin-tech 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 completed and the final publication was on June 23, 2021.

Corporate Finance projects aimed at reducing duplicative and unnecessary regulations for businesses wishing to raise capital in Nova Scotia and elsewhere, resulted in rule amendments related to ATM distributions of equity securities becoming effective in August 2020. In addition, amendments to reduce regulatory burden for investment fund issuers and increase the threshold requirements for filing BARs were also completed in 2020-2021.

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 that 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 2020-2021, Corporate Finance issued comment letters within three business days to nine out of nine (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.

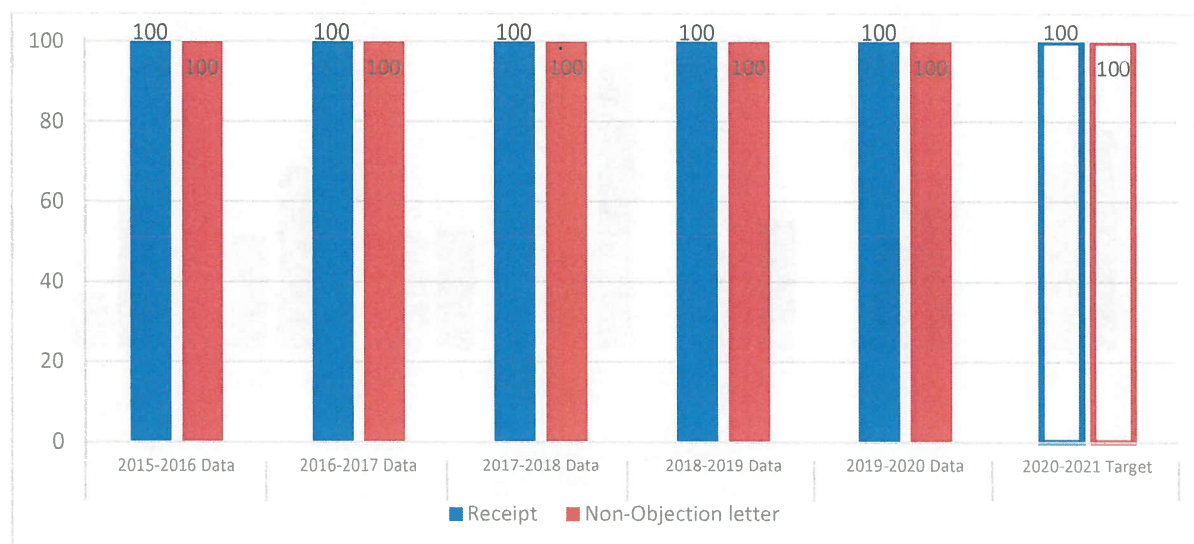
Prospectus issuers with head offices in Nova Scotia raised \$2.02 billion in 2020-2021, while Community Economic Development Corporations (CEDIF issuers) raised \$0.96 million.

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 2017-2018 and 2018-2019, no long form prospectuses were filed.

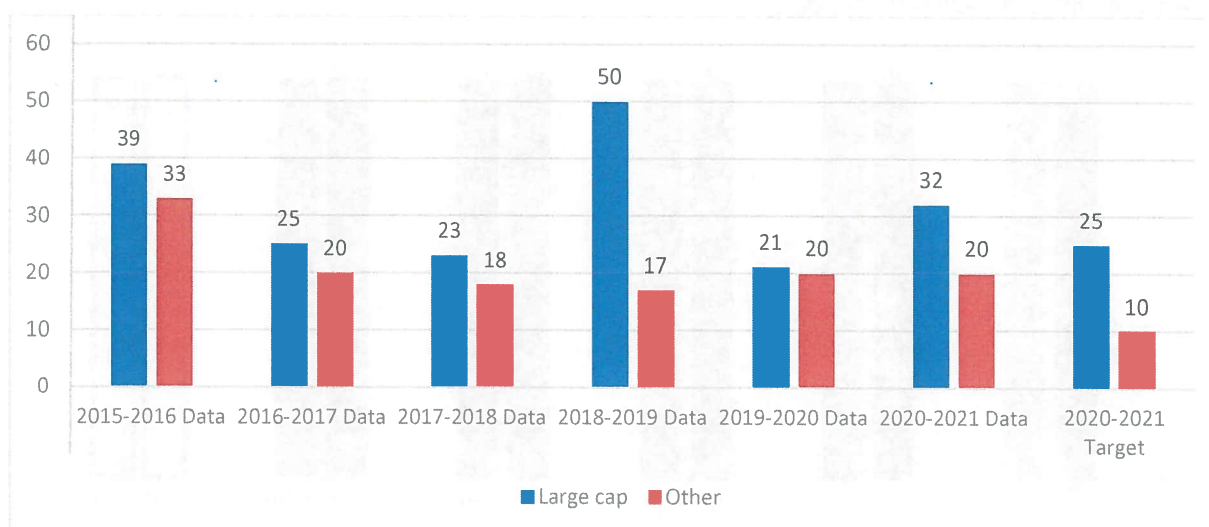
Chart 8: Percentage of issuers based in Nova Scotia who received the receipt for a prospectus or letter of non-objection for an offering document within the mandated timeframes after filing final documents (for receipts, one day; for offering documents, two days)



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 2020-2021, 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 \$27.9 billion, and 10% of its other or small capital reporting issuers, based on 20 other issuers. The large capital firm and the small cap reviews exceeded the targets in 2020-2021. Commission staff completed reviews for \$8.9 billion out of the \$27.9 billion (32%) of Nova Scotia's large cap public companies (four out of 14 large cap reporting issuers) and four out of 20 (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 2020-2021, the Director of Corporate Finance issued two cease trade orders for failure to file financial and associated disclosure within mandated timeframes. One of these cease trade orders remains in force.

Core Area 4 – Enforcement Branch

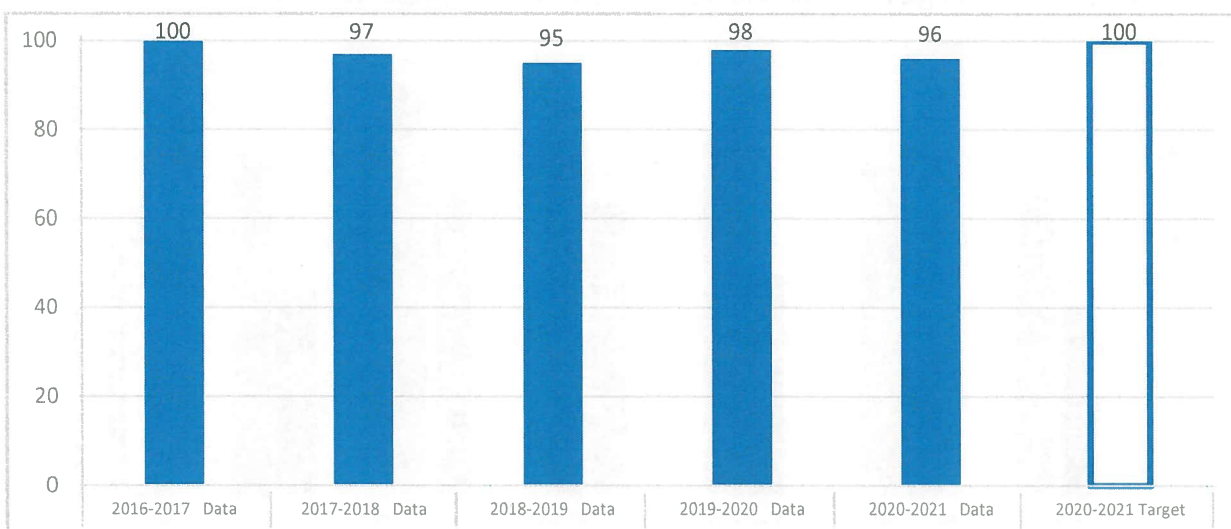
Outcomes: Enhanced protection of investors resident in Nova Scotia

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 disruptive measures, including the issuance of investor alerts to warn the public about people and entities that may be violating securities laws or operating securities or derivatives-related scams; active monitoring and surveillance for questionable securities or derivatives-related activities; working with various financial entities, social media, and other platforms to remove advertisements and otherwise disrupt illegal securities or derivatives-related activities. More formal front-end disruptive measures include seeking the issuance of various temporary orders and freeze directions over accounts and assets of the targets of investigations.

The Enforcement Branch also provides investor protection through the prosecution of securities law violations and sanctioning 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 at hearings before the Commission when such actions are appropriate.

As illustrated in Chart 10 below, despite being understaffed during the 2020-2021 fiscal year, the Enforcement Branch consistently met its three-day target for reviewing and making initial assessments of each complaint received, save for four matters. The initial assessment in those four matters took longer to complete due to the complexity of information, volume of the materials provided, heavy case load and an unfilled litigation counsel position.

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 2020-2021 fiscal year, the Enforcement Branch received 106 complaints³ of which 50 were opened as investigation files. The remaining 56 complaints were determined to be unactionable inquiries and/or were referred to other regulatory agencies as applicable. 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.

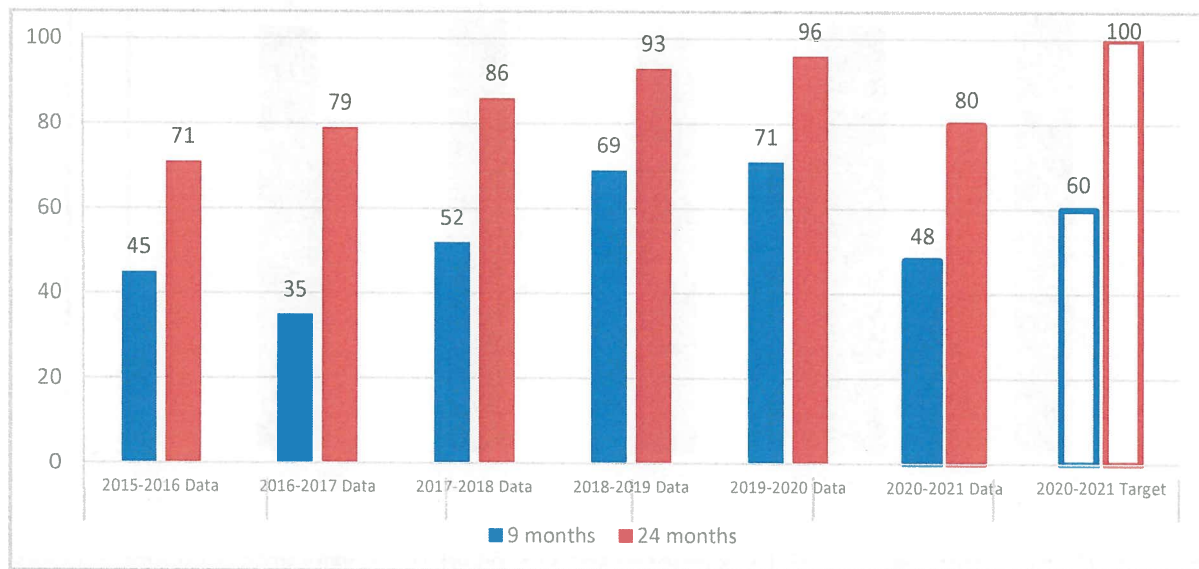
With each complaint, the preliminary facts must be assessed to determine if the Enforcement Branch has jurisdiction to initiate an investigation. Enforcement jurisdiction only exists where there is a locational nexus to a "distribution" or "trade" in a "security" or "derivative".

³ "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; internal surveillance efforts and monitoring of online sources, media, social media, civil court actions and criminal conviction searches.

Sixty-five investigation files were concluded in 2020-2021. Of those 65 files, 31 files (48%) were concluded within the first nine months of commencing the investigation. Twenty-one files (32%) took between nine and 24 months to conclude. 80% of all investigative files that were closed within the fiscal year were concluded within two years of file opening.

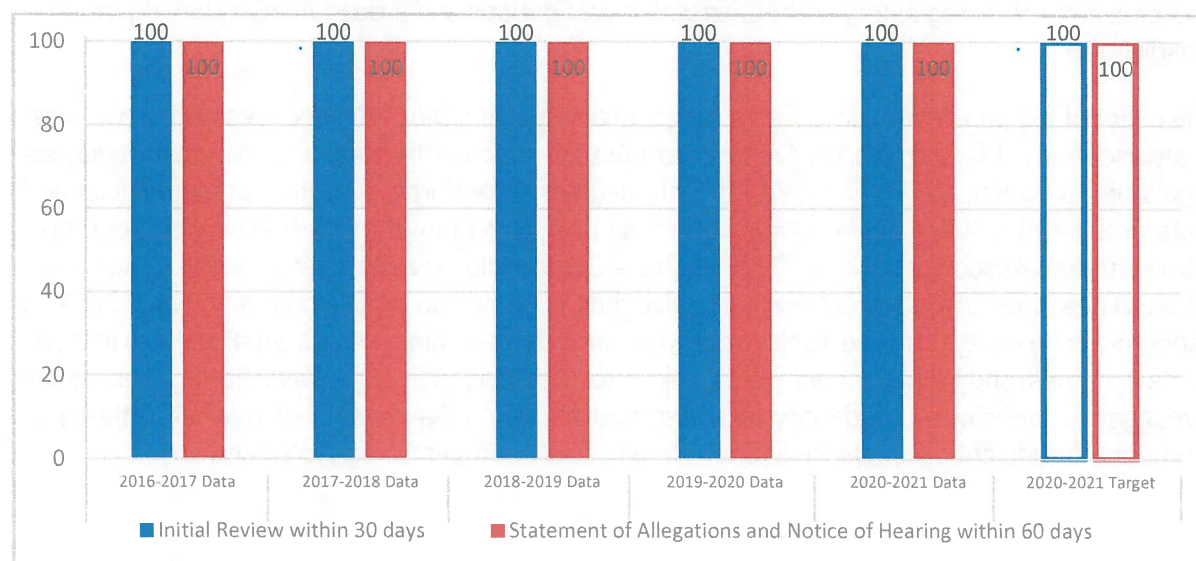
Chart 11 below depicts an increase in the percentage of investigations concluded as our internal targets are for 60% of all investigations to be concluded within nine months and 100% of all investigations to be concluded within 24 months. Due to the growing complexity of investigation files as a result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

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. 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 2020-2021, the Enforcement Branch concluded one enforcement proceeding on the merits of the allegations and brought two additional enforcement proceedings to full conclusion. These proceedings resulted in the imposition of regulatory sanctions, \$42,000 in administrative penalties, and \$3,500 in cost recoveries. In addition, the Enforcement Branch commenced proceedings for temporary measures against five 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 as applicable.

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 financial entities, social media and other online platforms to remove advertisements and otherwise disrupt illegal securities and derivatives-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 16 local and national investor alerts and press releases 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. These CSA committees include: Enforcement Committee, Investment Fraud Task Force, Data Analytics Forum, Reciprocal Order Forum, Legal Privilege Forum, Cooperation with Federal Agencies Working Group, the Investigative Accounting Forum, and Insider Trading and Market Manipulation Forum.

Given the increasingly complex securities and derivatives landscape and evolving nature of threats, enforcement demands a highly collaborative approach to protect investors located in Nova Scotia and elsewhere within and outside of Canada. The Enforcement Branch routinely collaborates with and/or assists other regulatory authorities with investigations and prosecutions spanning multiple jurisdictions.

The onset of the pandemic came with a substantial influx of COVID-19 securities and derivatives-related scams. 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. Fraudsters have long followed headlines using current events to give their schemes an air of legitimacy. The COVID-19 pandemic is no exception. The Task Force was formed to examine a substantial spike in internet domain names and social media posts linked to the pandemic. The Task Force uses online investigative techniques to identify websites and social media posts that may be offering or promoting fraudulent offerings, investment frauds, and improper unregistered activities.

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 111 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 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 December, 2020, provincial and state securities investigators reported 168 investment-related matters as potentially fraudulent. To disrupt these schemes, Task Force members have taken 250 distinct actions, including commencing administrative actions and issuing cease trade orders and investor alerts.

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 2020-2021
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