NOVA SCOTIA

Securities Commission

Annual Accountability Report for the Fiscal Year 2021 – 2022

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Accountability Statement

The Accountability Report of the Nova Scotia Securities Commission (the Commission) for the year ended March 31, 2022, 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 2021-2022 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: (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 2021-2022 Business Plan, which is available on the Commission's website.

Fiscal 2021-2022 represented another full year of operations during the global COVID-19 pandemic. While in-office activities continued to be affected, staff and Commission members continued to carry out their operations by way of a hybrid of in-office and remote activities. As a result, the Commission was able to respond to pandemic-related impacts on the capital markets in Nova Scotia as well as carry on its usual operations to achieve its 2021-2022 goals.

In 2021-2022, the trading of crypto assets was a significant focus of the Commission and other Canadian securities regulators through a crypto asset trading platform taskforce. Six crypto asset trading platforms were given exemptive relief from certain registration requirements based on meeting minimum standards for investor protection developed by regulators during the prior year. Applications from many other operators are in progress. Enforcement activities were taken with respect to unregistered platforms offering services, many who are based offshore and whose integrity, security and reliability is unknown, and against advertising by registered and unregistered platforms. Other forms of developments and innovation in financial businesses and technology, including the creation of new investment products, new business models and new ways of raising money, were examined, with the Commission's staff participation, by the Canadian Securities Administrators (CSA) Regulatory Sandbox Committee, which assesses the scope and nature of regulatory implications, with a view of encouraging innovation and continued modernization of the securities regulatory framework. The Enforcement Branch also continued to analyze, investigate and disrupt other investment 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 towards completion of a comprehensive web-based National Electronic Filing System also continued. Numerous rule changes were advanced or adopted including several aimed at reducing regulatory burden for issuers and the investment industry where such reductions don't materially reduce investor protection.

Similar to previous years, we reached our goals and fulfilled our mandate while paying close attention to our fiscal responsibility. Our revenues for 2021-2022 increased by 5.3%, or $1.178 million, from the prior year to $23.288 million. This increase in our revenues is attributable to an increase in registrant applications. Our total expenditures for 2021-2022 increased by 4.8% or $0.126 million, over the prior year to $2.784 million. This increase of expenditures relates to salaries, benefits and hearing related costs. Our total expenditures for the year were $0.201 million under our approved budget of $2.985 million.

(signed) *"Paul E. Radford"*
Paul E. Radford, QC, Chair

Financial Results

Core Business (All)	**2021-2022 Estimate** ($ thousands)	**2021-2022 Actual** ($ thousands)	**Variance** ($ thousands)
Revenues	(21,550)	(23,288)	1,738[1]
Expenditures			
Salaries and Benefits	2,295	2,149	(146)
Operating Costs	690	635	(55)
Cost Recoveries	-	-	-
Total Expenditures	2,985	2,784	(201)
Net Revenue	(18,565)	(20,504)	1,939
FTEs	19.0	18.54	0.46

[1] Revenues were higher than budgeted due to an increase in the volume of registration applications.

Priorities and Measuring Our Performance

In the Commission's Business Plan for 2021-2022, 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 2021-2022 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.

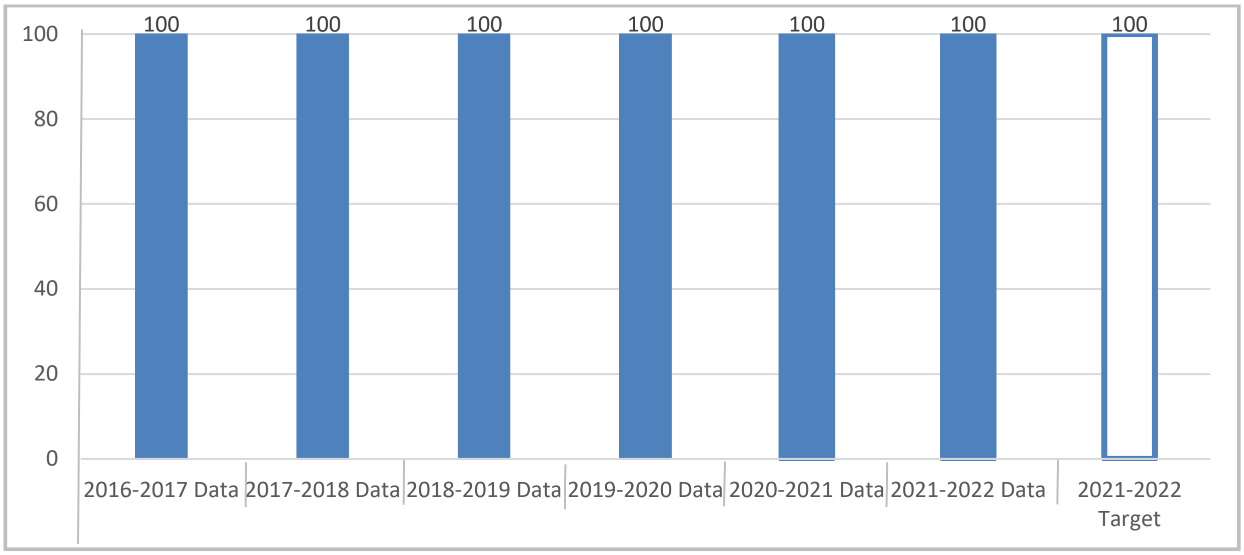
Core Area 1 – The Commission Board

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.

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.

- Adopting MI 25-102 *Designated Benchmarks and Benchmark Administrators*, to implement a comprehensive regime for the designation and regulation of benchmarks, the designation and regulation of persons or companies that administer such benchmarks, the regulation of persons or companies that contribute certain data that will be used to determine such designated benchmarks, and the regulation of certain users of designated benchmarks who are already regulated in some capacity under Canadian securities legislation.

- Adopting amendments to NI 31-103 *Registrant Requirements, Exemptions and Ongoing Registrant Obligations* (NI 31-103), to enhance the protection of older and vulnerable clients by providing for advisers to contact trusted contact persons and place temporary holds.

- Adopting amendments to NI 33-109 *Registration Information* and consequential amendments to NI 31-103, to provide greater clarity on registration information to be submitted, to help individuals and firms provide complete and accurate registration information, and to reduce the regulatory burden of doing so, while allowing the CSA to receive the information necessary to carry out its regulatory roles.

- Adopting NI 45-110 *Start-up Crowdfunding Registration and Prospectus Exemptions* and consequential amendments, to provide a harmonized national framework to facilitate securities crowdfunding for start-ups and early-stage issuers.

- Adopting NI 52-112 *Non-GAAP and Other Financial Measures Disclosure* and consequential amendments, to ensure investors appreciate the context of non-GAAP and other financial measures by introducing disclosure requirements if such measures are presented outside of financial statements.

- Adopting amendments to a number of NIs to reduce undue regulatory burden on investment fund issuers and streamline requirements without negatively impacting investor protection or the efficiency of the capital markets.

- Approving BO 31-539, to address the overlapping periods between the implementation of the enhanced conflicts of interest and "client first" suitability requirements of the client focused reforms in NI 31-103, and the implementation of a ban on the payment by fund organizations of upfront sales commissions to dealers.

- Approving BO 44-505, to implement a “Well-Known Seasoned Issuer” program to expedite capital raising by larger issuers with established disclosure records.

- Approving BO 81-509, to facilitate the implementation of a ban on investment fund managers paying trailing commissions to dealers that are not required to make a suitability determination, such as investment dealers offering order execution only accounts, in connection with a client's purchase and ongoing ownership of a prospectus-qualified mutual fund security.

- Publishing CSA Staff Notice and Request for Comment 25-304 *Application for Recognition of New Self-Regulatory Organization* and CSA Staff Notice and Request for Comment 25-305 *Application for Approval of the New Investor Protection Fund*, to solicit public comments on materials related to the application for recognition and draft Recognition Order for the self-regulatory organization (SRO) that will succeed the Investment Industry Regulatory Organization of Canada (IIROC) and the Mutual Fund Dealers Association of Canada (MFDA), and materials related to the application for approval and acceptance and draft Approval Order for the investor protection fund that will succeed the Canadian Investor Protection Fund (CIPF) and the Mutual Fund Investor Protection Corporation (MFDA IPC).

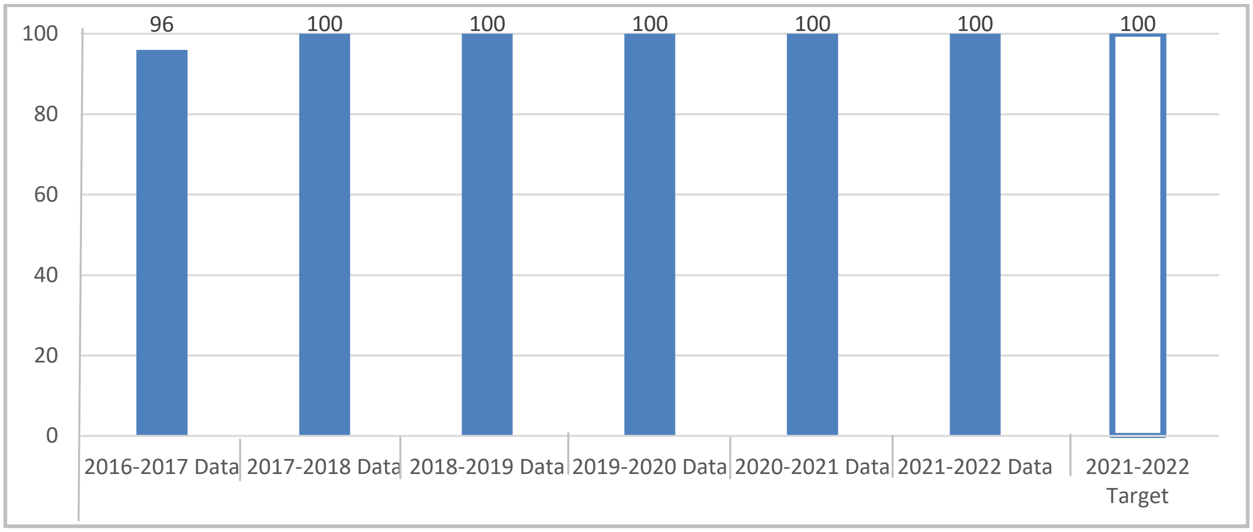
- Publishing CSA and Canadian Council of Insurance Regulators Joint Notice and Request for Comment of Proposed Amendments to NI 31-103, to solicit public comments on proposed total cost disclosure (inclusive of managers fees, trading expenses and advisers' fees), to improve transparency and comparability of the costs of investment products including variable insurance contracts (also known as segregated funds).

- Publishing CSA Notice and Request for Comment on Proposed National Instrument 51-107 *Disclosure of Climate-related Matters*, to solicit public comments on proposed disclosure requirements regarding climate-related matters for reporting issuers (other than investment funds).

- Publishing CSA Notice and Third Request for Comment of Proposed National Instrument 93-101 *Derivatives: Business Conduct*, to solicit public comments on a proposed business conduct regime tailored for over-the-counter (OTC) 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 25 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 with the Commission.

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



The Commission's adjudication of enforcement proceedings in a timely manner is aimed at enhancing investor protection, one of the 2021-2022 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 2021-2022, the Commission held three hearings to consider the approval of settlement agreements and the orders approving them were all 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 issued orders in five contested matters, two of which were concluded within 90 days of the final submissions from the parties. The matters that were not concluded within 90 days involved lengthy hearings and complex legal and factual determinations. These matters were concluded in 100, 114 and 160 days, respectively.

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

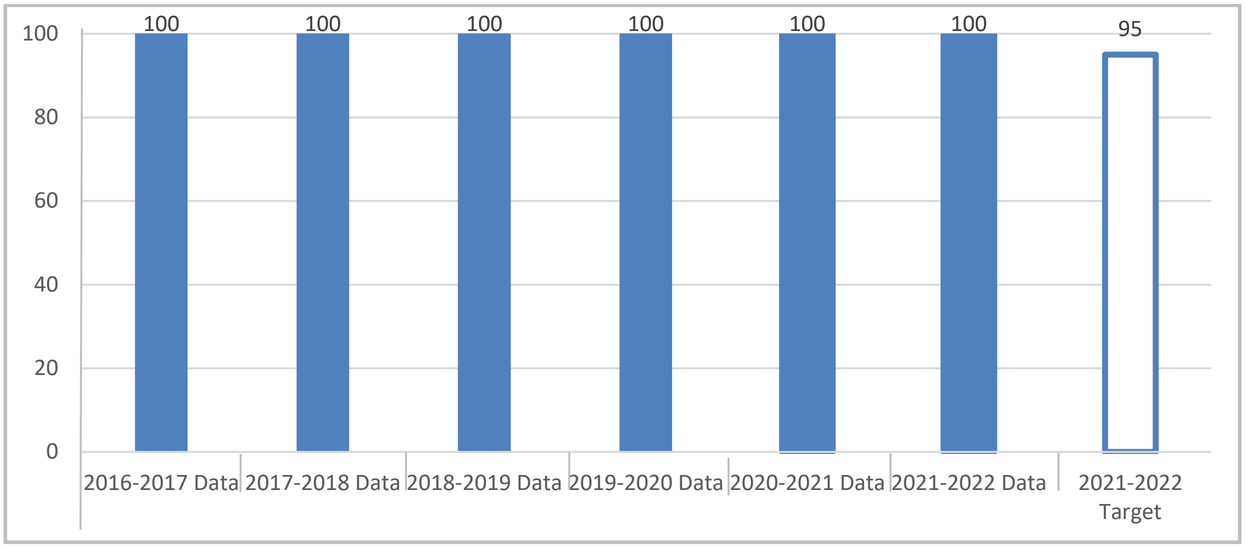
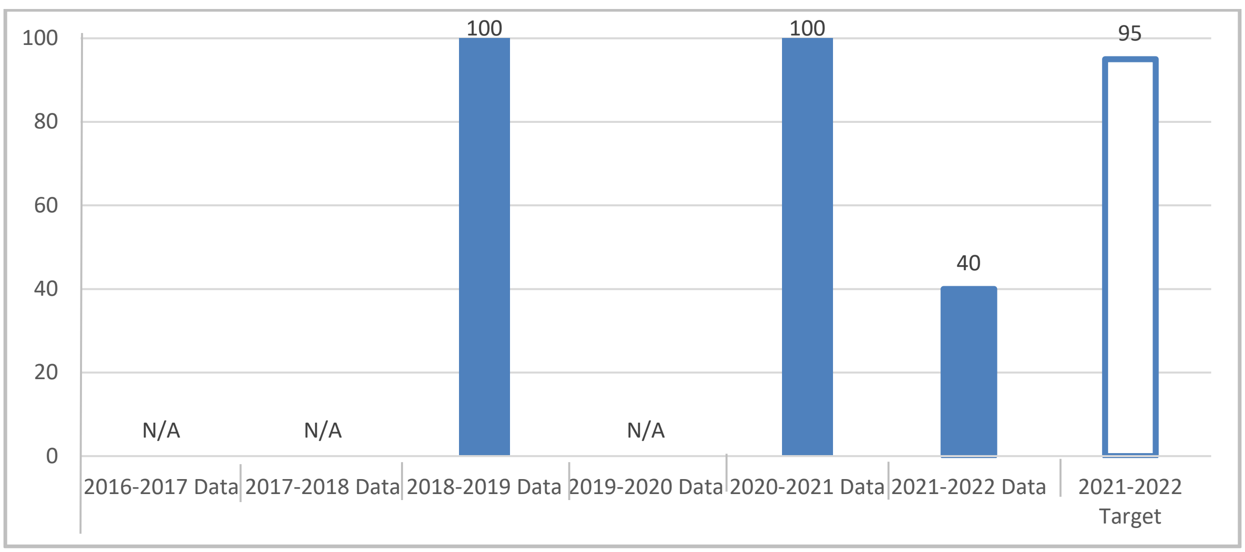


Chart 4: Percentage of orders and decisions made within 90 days of the final submissions from the parties following the conclusion of a contested hearing



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

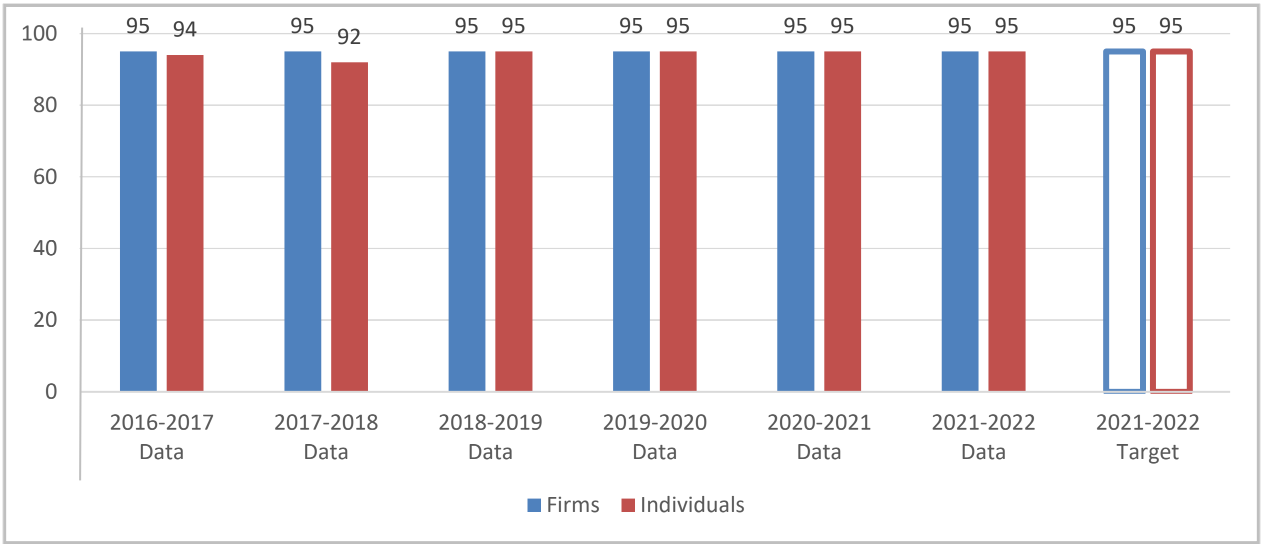
The Policy and Market Regulation branch has four main areas of responsibility: Registration, which relates to the registration and oversight of investment professionals and firms in Nova Scotia; Compliance, which relates to the review and oversight of the activities of investment professionals and firms 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 2021-2022, the target for individual and firm registrations was met and satisfied 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. In recent years, additional efficiency has been added through implementation of an ongoing process review.

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 information used by staff to make a determination of suitability for a registration is received using forms that are prescribed under National Instrument 33-109 *Registration Information*. Staff contributed to the enhancement of these forms that now provide greater clarity and relevance. This allows applicants to better understand the registration process and also provides staff with more useful information needed for determining suitability for registration.

Several crypto-asset trading platforms are now registered as Restricted Dealers and are operating under the same requirements as traditional securities dealers, with some exemptions to accommodate their unique securities. The registration requirements are an upfront investor protection mechanism and helps to safeguard a rapidly growing area of the investment industry.

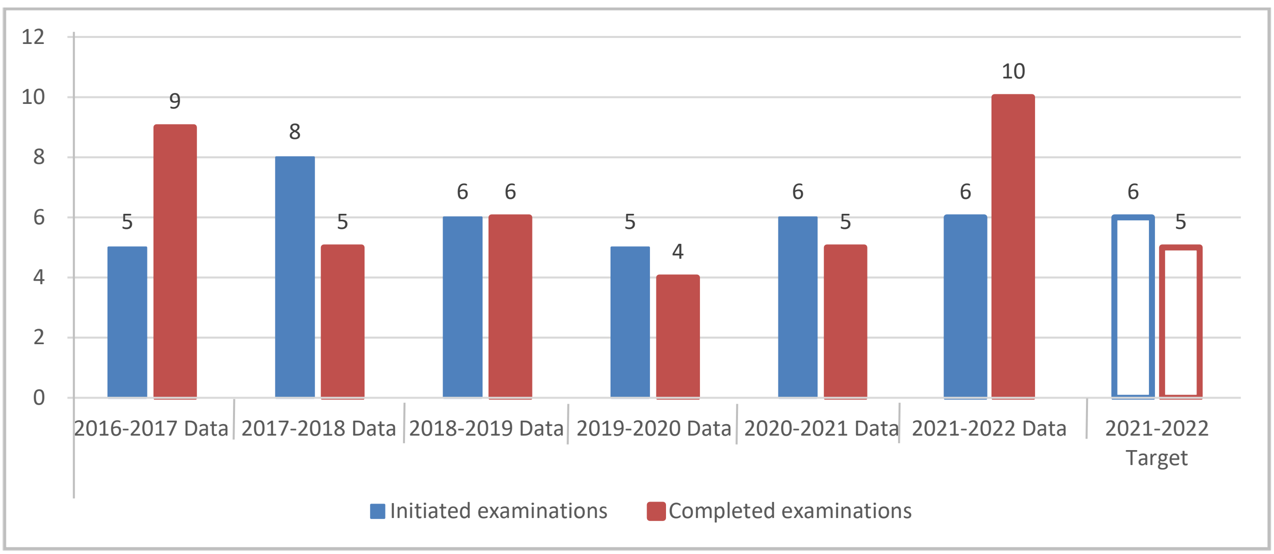
The Commission's Registration staff also continue to work on several committees of the CSA to provide a voice for stakeholders in Nova Scotia with respect to the formation of new rules and amendments to current rules. The investment industry is constantly evolving, including new products and client service models. By monitoring these developments, we are able to escalate to the CSA Registration Operations Committee for any required regulatory changes.

Compliance

The efficient administration of the Commission's compliance programs, to assess that registrants are conducting their activities in accordance with Nova Scotia securities laws, deters 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, reduce some of the risks of investing, and the consequential reduction in enforcement proceedings. During 2021-2022, the priority for the Commission's compliance operations was to continue to build efficiencies through regular staff meetings and ongoing training.

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 examinations were on target in 2021-2022, and the number of closed examinations exceeded the target despite operating shorthanded during a parental leave. The move to remote examinations due to COVID-19 restrictions has continued to run smoothly with no disruptions. Staff have worked efficiently from both home and office to complete reviews in a timely manner.

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



Ongoing CSA initiatives regarding client focused reforms in NI 31-103 (CFRs), investment fund fee transparency, and the use of registrant titles will enhance investor protection. A CSA wide review of specific areas of the CFRs was conducted to review and monitor the implementation of the new rules and to assess their effectiveness. Additionally, during 2021, a CSA working group was struck to review the use of titles within the industry. Titles can be misleading and confusing to the investing public and important data from this review will inform rule making that addresses clarity and uniformity in the use of titles. National committee work provides a voice for stakeholders in Nova Scotia.

Self-Regulatory Organization Oversight

During 2021-2022, there was a continued focus on the oversight of IIROC and the 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 ensure 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, the new CSA SRO and Protection Fund Oversight Methodology and Process, implemented in 2020, has effectively streamlined 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. Ongoing work is taking place 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 created in fiscal 2020 to review 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. In 2022, several CSA working groups were struck to facilitate the implementation of the new framework. This work is continuing and expected to be completed by the beginning of 2023.

Investor Education

The goal of the Commission's Investor Education (IE) office is to produce engaging and practical investor education programs and content 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.

Despite continuing challenges brought on by the pandemic, the IE office was able to meet with Nova Scotia investors and future investors and deliver more educational presentations than in the previous year. Most of these presentations continued to be virtual through MS Teams, Zoom, Google Classroom, and other video conferencing platforms. However, due to periods of reduced pandemic restrictions, the IE office was able to deliver its first in-person presentations since February, 2020.

The IE office continued to have great success in reaching Nova Scotia youth and young adults through the Student Connections program. The annual program relaunched in September, 2021 and during the 2021-22 school year the number of presentations given to students was up 13 percent. The schools visited, either virtually or in-person, by Commission staff included C.P Allen High School, Prince Andrew High School, Auburn High School, Cole Harbour High School, Mount Saint Vincent University, Saint Mary's University, Dalhousie University, and NSSC Ivany Campus. The Commission was especially active at Mount Saint Vincent in the past year by taking part in class presentations, an accounting and finance career panel, and as one of the keynote speakers at their annual SHIFT: Navigating Your Career Journey Conference.

In addition to the Student Connections program presentations, the IE Office developed new contacts and partnerships to reach new audiences and groups with IE presentations. This included lunch and learn presentations for public service commission employees commissioned by Nova Scotia Consumer Protection and the Financial Empowerment Network of Nova Scotia, a new partnership with Halifax Public Libraries to deliver presentations at the Central Library, and contacts with local seniors organizations, including Chebucto Links, and the Sackville Seniors Advisory Council.

During 2021-22, the IE Office continued to add to its investor education video library on the Nova Scotia Informed Investor YouTube channel. During the year, 13 new videos were created and added to the channel. Topics of these new videos included financial elder abuse, investment accounts, crypto assets, trusted contact persons and temporary holds, and investment fraud.

The YouTube channel viewer numbers continued to rise in 2021-22. Videos views were up 40 percent when compared to last year. The most popular videos during last year were videos on pump and dumps, boiler rooms, and suitability and investment advice.

Cryptocurrencies and crypto assets were a hot issue for investors during 2021-22. Risk, volatility and the instances of fraud and scams around crypto assets made them an important issue for the IE office to address during 2021-22. During Financial Literacy Month (FLM) in November, the IE office released new crypto asset-focused content. Three new crypto asset videos were added to the Commission's website and YouTube channel that informed investors about basic crypto terms, purchasing and selling crypto assets, and crypto asset risks. A video on non-registered crypto asset trading platforms was also released during fraud prevention month in March. The information shared in the FLM videos was also condensed into a crypto assets information sheet which was added to the investor education resources on the Commission's website and shared on social media.

The IE office also enhanced available crypto asset content by creating a new page on the website listing all crypto trading platforms that have registered in Nova Scotia. The webpage included information on the registration process, and links to exemptive relief documents that provide information on the platform's registration. The webpage will be continually updated as more crypto trading platforms become registered.

At the end of 2021, new amendments to securities laws came into effect to enhance protections for older and vulnerable investors. To promote these new amendments to Nova Scotia investors, the IE office created a promotional campaign that included new blog posts, videos, information sheets and social media posts. The new content focused heavily on the new trusted contact person and temporary hold provisions. Information on the new amendments was also added to presentations directed toward seniors.

The Commission's Before You Invest Blog went through a revamp in January 2022. Since being relaunched in January 2017, 299 blog posts were published. When the blog relaunched in 2017, a new questions of the week format was introduced to ensure at least one new post was published per week. From the 299 posts, 242 were questions of the week. By January 2022 finding new questions to answer on a weekly basis proved difficult. To keep the blog going and updated frequently a new format was introduced to include timely topics, regulatory reviews, investor alert reviews, guest blog posts, and scheduled posts during specific times of the year, such as tax time, fraud prevention month, seniors month, etc.

To continually update and enhance the content on the Commission website several changes and additions were made in 2021-22. Some of the changes and additions included:

- Fair Registration Practices Act website updates
- Updates and changes to the "Contact Us" webpage
- Edits and additions to the complaints page and webform
- A refresh and change in how the website publishes the Issuers list
- Updates to the CEDIF webpage
- Updates to the crowdfunding information webpage
- Creation of a registered crypto asset trading platforms webpage

- Creation of a Director's Decisions webpage

The Commission's website traffic was down slightly when compared to the record-setting numbers recorded in 2020-21. In 2021-22 the website had 83,950 page views. That was down 18 percent compared to the record-high 103,209 page views recorded in 2020-21. The 2021-22 website traffic was still up 93 percent when compared to analytics data from 2019-20. Aside from the website's main page, the most viewed pages continue to be Before You Invest Blog posts, with the most viewed being the "Can you day trade through your TFSA," and "Do I have pay tax on US stocks I own in my TFSA," blog posts.

During 2021-22, the IE office continued to pursue its goal of increasing the Commission's partnerships with other financial literacy organizations. This was harder over the past year due to the pandemic cancelling most in-person events and meetings. However, we 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 them and their stakeholders. The IE office was also involved with the NASAA Alerts and Advisories Committee, and the CSA Investor Education Committee Working Group, CSA Project: Regulatory Framework for Addressing Financial Exploitation and Cognitive Impairment among Older and Vulnerable Investors, FCAC, Public Service Commission, CFA Society Atlantic, Halifax Public Libraries, and Chebucto Links.

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 2021-2022 Goals**
Outreach to local media to build new and existing relationships	• 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. • Held media training with Commission staff to ensure they are prepared for media interview requests.	100%

Matrix		
Goals	**Actions to achieve Goals**	**Percentage of Actions Completed to Achieve 2021-2022 Goals**
Improve investor education online resources	• Revamped Before You Invest blog with new content schedule. • Added crypto asset content due to demand and increased attention to crypto investing. • Updated IE videos page and YouTube Channel with 13 new videos.	100%
Update Commission website	• Updated and improved issuers list webpage • Created registered crypto trading platform page. • Updated CEDIF, crowdfunding, and complaints webpages	100%
Improve the reach of the Student Connections Program	• 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. • Returned to in-person presentations for first time since Feb, 2022 • Invited to speak at two MSVU student events	100%
Maintain traffic of Commission website and increase reach on social media	• According to analytics, website sessions were down 18% from 2020-21record numbers from, but up 93% from 2019-20 • Increased our followers on Twitter and LinkedIn and produced new content for both channels. • Increased views of our YouTube content 40% • Began researching and putting together content for a Facebook page launch.	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

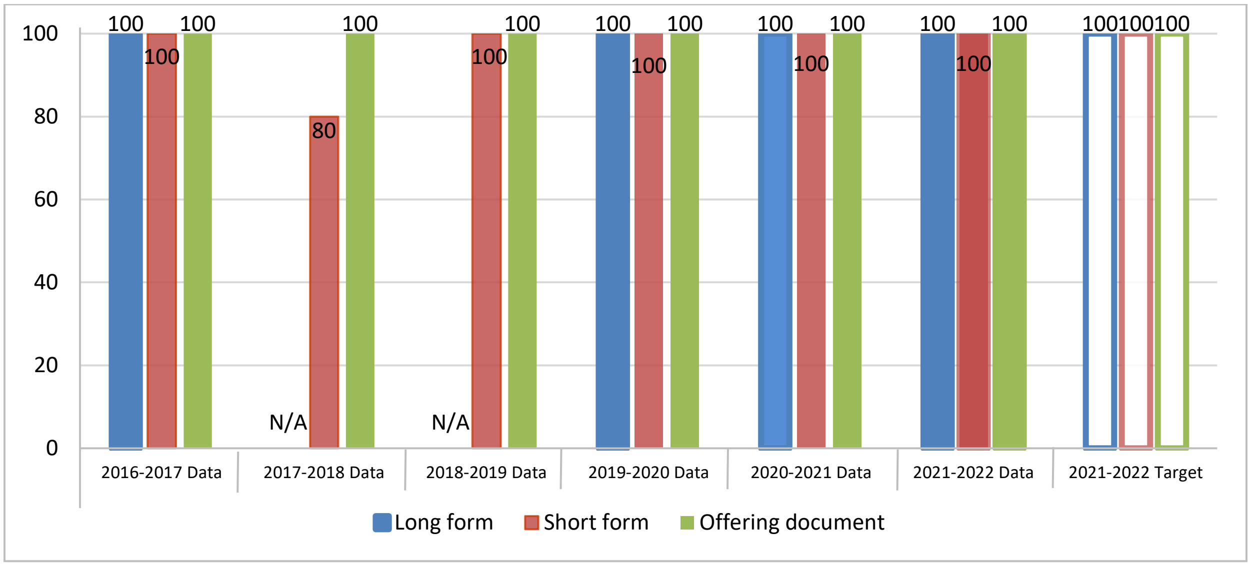
The operations of the Corporate Finance Branch help to promote an efficient capital market and economy while maintaining investor protection. In pursuit of the Commission's goal set out in the 2021-2022 Business Plan to use its expertise to address market developments and changes that affect Nova Scotians, 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 rule became effective on September 21, 2021.

Corporate Finance projects aimed at reducing duplicative and unnecessary regulations for businesses wishing to raise capital in Nova Scotia and elsewhere, resulted in a blanket order to allow large or well-known seasoned reporting issuers faster access to finalize a prospectus offering.

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 2021-2022, 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 the targeted timeframe of ten business days. All other comment letters, receipts, and non-objection letters were issued within the targeted time frames.

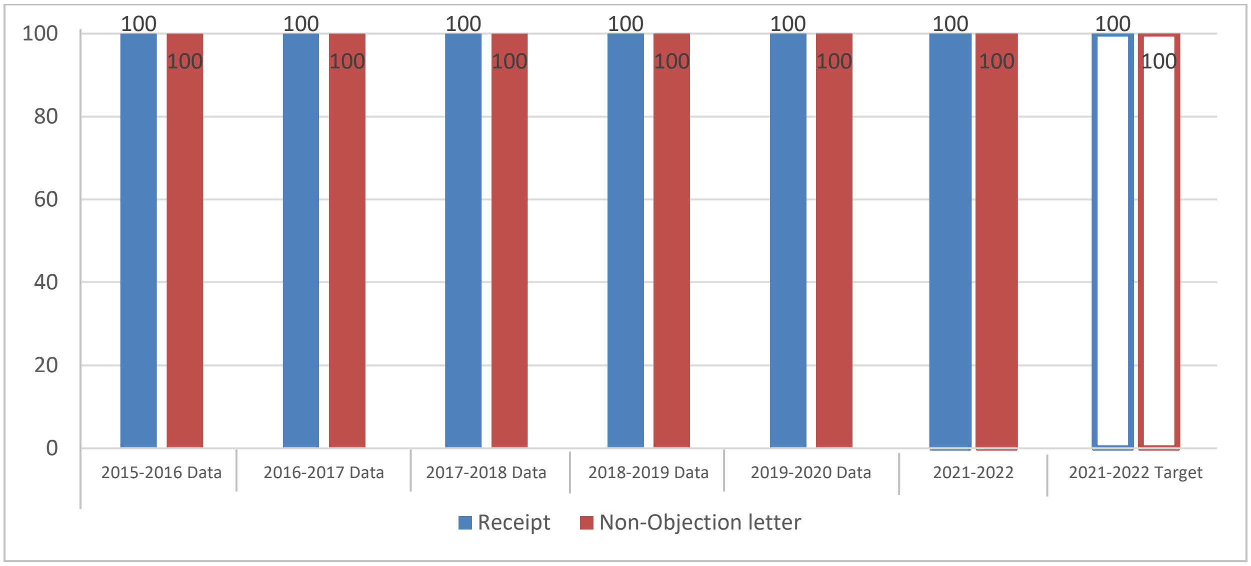
Prospectus issuers with head offices in Nova Scotia raised $2.31 billion in 2021-2022, while Community Economic Development Corporations (CEDIF issuers) raised $0.65 million.

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.

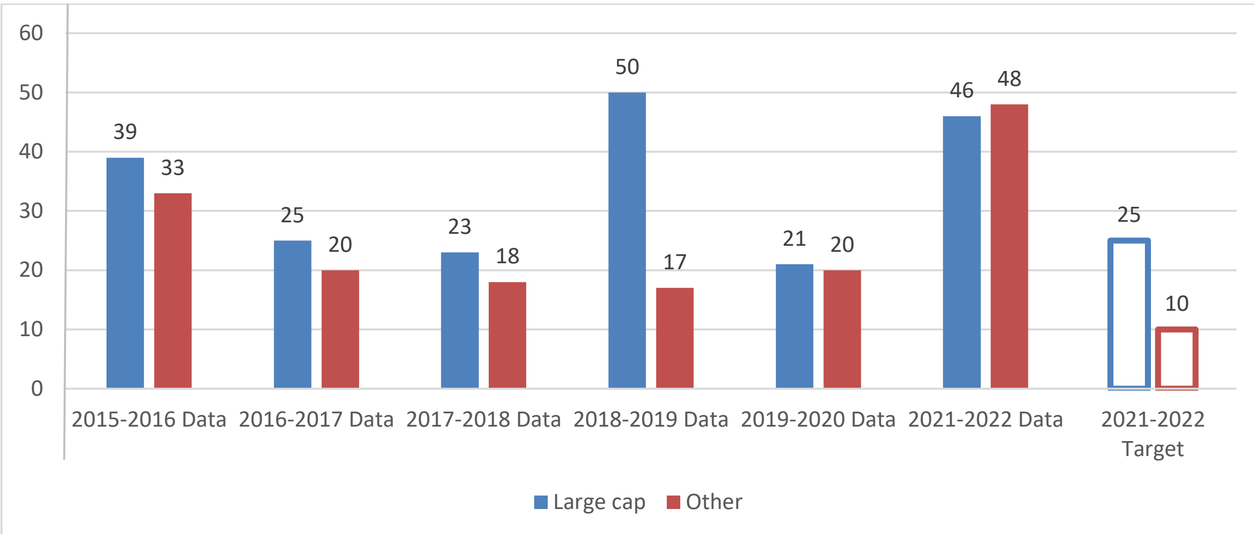
Chart 8: Percentage of issuers based in Nova Scotia who received the receipt for a prospectus or letter of non-objection for an offering document within the mandated timeframes after filing final documents (for receipts, one day; for offering documents, two days)



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 2021-2022, staff 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 $32.6 billion, and 10% of its other or small capital reporting issuers, based on 21 other issuers. The large capital firm and the small cap reviews exceeded the targets in 2021-2022. Commission staff completed reviews for $14.9 billion out of the $32.6 billion (46%) of Nova Scotia's large cap public companies (two out of 14 large cap reporting issuers) and 10 out of 21 (48%) 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 2021-2022, the Director of Corporate Finance issued one cease trade order for failure to file financial and associated disclosure within mandated timeframes. None 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 identify, stop and deter illegal activity in the capital markets in order 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 from the Commission against individuals and over accounts and assets of the targets of investigations.

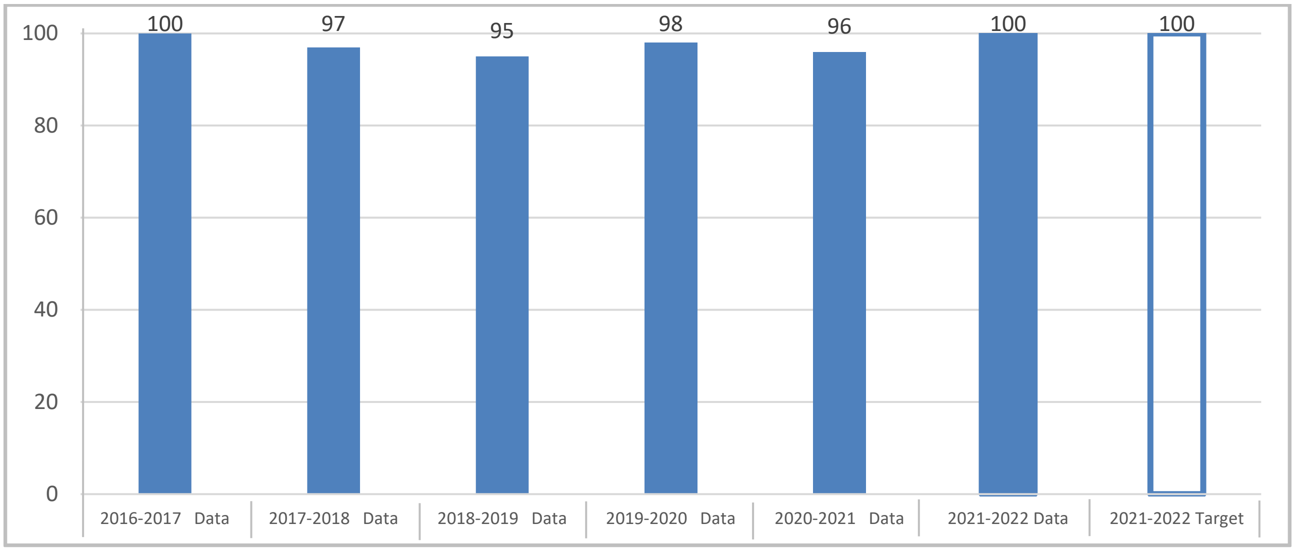
The Enforcement Branch also provides investor protection by deterrence through regulatory prosecutions of securities law violations and obtaining prohibition orders and financial sanctions against companies and individuals participating in such violations.

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 and in the public interest.

During fiscal 2021-2022, the Enforcement Branch changed its target of providing an initial assessment to the Director of Enforcement within three days of receipt of each complaint to a new target of providing an initial response to a complainant within three days of receipt of a complaint, and then completing the initial assessment within 30 days of receipt of the complaint. These changes to the target were made due to the growing complexity of investigation files in both traditional and new financial instruments, and the volume of records received from complainants which caused delays in completing the preliminary assessment and corresponding delays in initial communications with complainants. In addition, because of the focus on completing initial assessments within the three-day target period, some high priority investigations had been delayed when new complaints were received. The new targets ensure a timely service standard by requiring prompt replies to complainants. In addition, the extension of the period to complete an initial assessment of 30-days is a more realistic timeframe and will ensure that high priority investigation files do not take a backseat to new complaints which previously required an immediate assessment.

As illustrated in Chart 10 below, despite there being an unfilled litigation counsel position for approximately a six-month period during the 2021-2022 fiscal year, the Enforcement Branch consistently met its new three-day target for the provision of an initial response to each complainant.

Chart 10: Percentage of complaints responded to by Enforcement Staff within three days of receipt of the complaint, including for fiscal years prior to 2021-2022 completion of an initial assessment within three days of receipt of complaint



In 2021-2022, the Enforcement Branch received 80 complaints[2], of which 57 were opened as investigation files. The remaining 23 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 spent responding to all complaints, including those that do not result in investigative or enforcement action for the above-noted reasons.

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”.

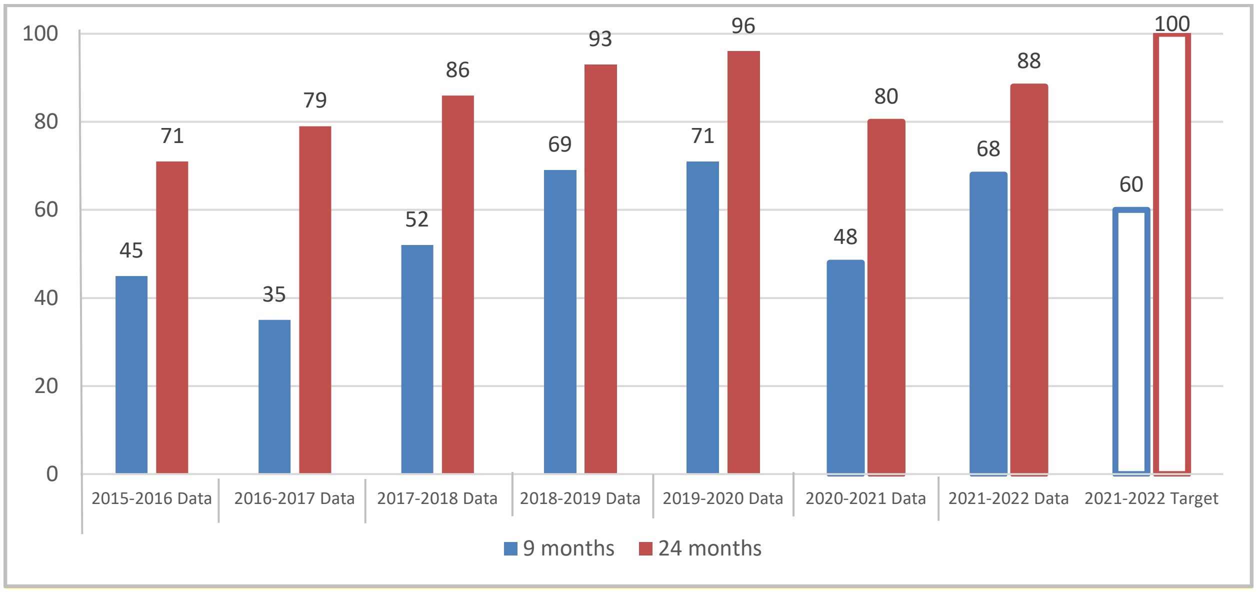
41 investigation files were concluded in 2021-2022. Of those 41 files, 28 files (68%) were concluded within the first nine months of commencing the investigation. Eight files (20%) took between nine and 24 months to conclude. 88% of all investigative files that were closed within the fiscal year were concluded within two years of file opening.

Chart 11 below depicts that Enforcement Staff exceeded the target of concluding 60% of all investigations within the nine month target but fell short of concluding 100% of all

[2] “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.

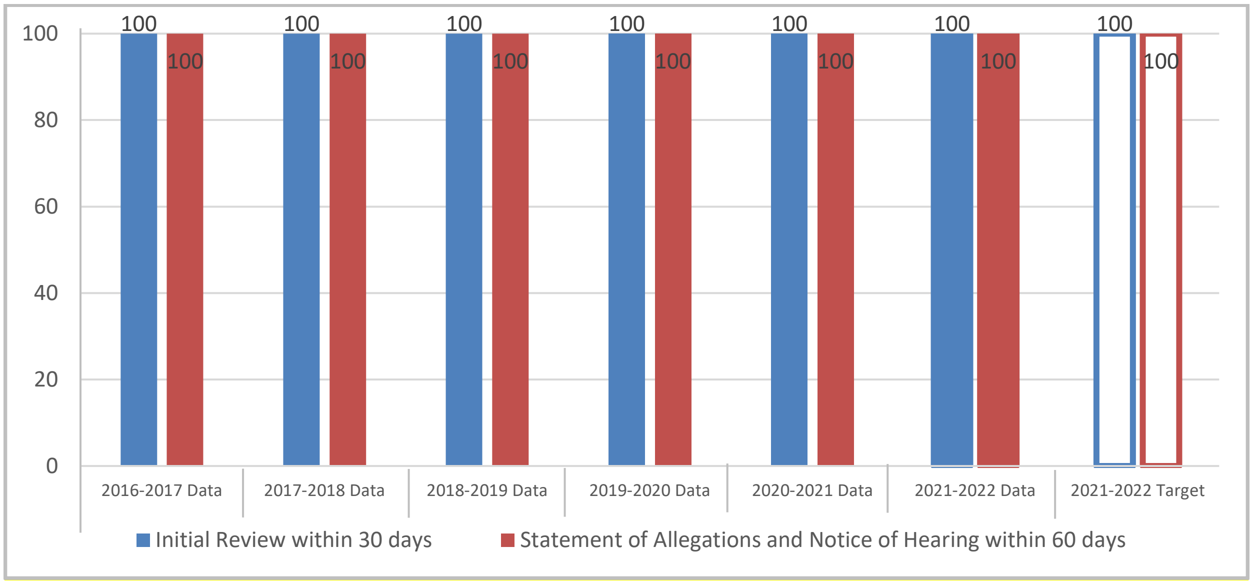
investigations within the 24 month target. Due to the growing complexity of investigation files as a result of both traditional and new financial instruments, coupled with the growing volume of available records and extensive use of social media platforms, investigations are both more complex and more time consuming, and require extensive legal and technological resources to advance.

Chart 11: Percentage of investigations concluded by Enforcement Staff 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 or conclusion of negotiations



In 2021-2022, the Enforcement Branch concluded four administrative enforcement proceedings, including two complex contested proceedings and two settlement proceedings. These proceedings resulted in the imposition of regulatory sanctions, $1,605,000.00 in administrative penalties, $870,410.00 in disgorgement, and $97,500.00 in cost recoveries. In addition, the Enforcement Branch commenced proceedings for temporary measures against seven 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 also responded to a proceeding for variation and revocation of administrative sanctions and penalties imposed against a Respondent in an outstanding Commission order.

The Enforcement Branch spends a significant amount of time and resources conducting analysis of scams and other threats to Nova Scotian investors 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 arranged for a number of illegal online investment solicitations removed to protect the investing public as well as issued or contributed to the issuance of 29 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 develop and harmonize investigative and litigation methods, to streamline and standardize procedures to better utilize resources, and to expedite complaint resolution.

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.

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 relevant NASAA initiatives.

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 2021-2022
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