



Annual Accountability Report  
for the Fiscal Year 2022 – 2023

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## Accountability Statement

The Accountability Report of the Nova Scotia Securities Commission (the Commission) for the year ended March 31, 2023, 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 2022-2023 Business Plan.

(signed) "*Paul E. Radford*"

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Paul E. Radford, K.C., Chair

(signed) "*H. Jane Anderson*"

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H. Jane Anderson, K.C., 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 reference to the progress we have made in achieving the goals and priorities set out in the Commission's 2022-2023 Business Plan, which is available on the Commission's website.

Fiscal 2022-2023 saw the winding-down of restrictions imposed under the COVID-19 pandemic. Staff and Commission members were able to return to the office and to in-person meetings and to national committee meetings and training sessions. As a result of the successful experiment of remote working and on-line meetings forced by the pandemic, the Commission has adopted a hybrid a schedule for staff's regular hours to be working 3 days in the office and 2 days remotely. This arrangement has proven both efficient for the Commission work and beneficial to Commission staff. The resumption of in person interaction has been healthy for staff morale and cohesiveness.

A significant development in 2022-23 involving Commission staff was guiding and overseeing the merger of the two self-regulatory organizations (SRO's) in Canada, Investment Industry Regulatory Organization (IIROC) and Mutual Funds Dealers Association (MFDA), into a consolidated SRO on January 1, 2023. This new SRO adopted the new name Canadian Investment Regulatory Organization (CIRO) effective June 1, 2023. The merged SRO will be stronger and, being one stop shopping, will reduce confusion among investors. With a stronger public interest mandate than its predecessors, it is overseen by Canadian securities regulators including the Commission.

Throughout 2022-23 the risks to investors using unregulated crypto-trading platforms became real with the failure of several platforms including FTX Trading Ltd., which advertised extensively to Canadian residents, but was not registered. Its insolvency proceedings in the Bahamas have revealed fraudulent practices including diverting customer deposits to the operator's own risky ventures, conflict of interests such as front running customer trades and use of unstable proprietary "stable coins". Commission staff on national committees have developed terms and conditions for such platforms to be registered in Canada and for pre-registration undertakings for firms seeking registration. The path will lead to registration of each such platform as an investment dealer with strict requirements and oversight by CIRO, providing protections for its customers' assets.

The enforcement division of the Commission has been busy in this past year with protecting investors against illegal activities in the securities markets including social media campaigns aimed at market manipulation such as pump and dump schemes and fraudulent offerings of digital assets.

Substantial work leading to publication of discussion papers on rules and policies for issuer disclosures relevant to investors, including climate related disclosure and diversity beyond gender on boards of directors and executive positions was a focus in 2022-23. A national Investor Advisory Panel was established and is working on providing comments and input from an investor focus on policy projects of Canadian Securities Administrators. Finally, the Commission's investor education activities described more fully in this report have been busier than ever, including a widely broadcast media campaign warning investors against prevalent crypto asset investment schemes, that simply steal investors' money, including from numerous victims in Nova Scotia.

Our revenues are affected by the level of activity in licensing of firms and individuals and in capital markets filings, and thus are largely beyond the control of the Commission. Our revenues for 2022-2023 decreased by 1.7% or \$0.406 million, from the prior year to \$22.882 million. This decrease in our revenues is attributable to fewer filings by issuers. Our total expenditures for 2022-2023 increased by a minimal 0.4% or \$0.012 million, over the prior year to \$2.796 million. This slight increase of expenditures relates to higher salaries and benefits offset by lower hearing related costs, and temporary reduced operating, travel and other costs due to the COVID-19 pandemic which wound down in this fiscal year. Our total expenditures for the year were \$0.224 million under our approved budget of \$3.020 million. In carrying out our mandate we keep attuned to the fiscal responsibility of meeting our budget, although on occasion some costs such as enforcement costs and hearing costs are subject to change based on the level of activities in those areas.

(signed) "Paul E. Radford"

Paul E. Radford, K.C., Chair

## Financial Results

<b>Core Business (All)</b>	<b>2022-2023 Estimate</b> (\$ thousands)	<b>2022-2023 Actual</b> (\$ thousands)	<b>Variance</b> (\$ thousands)
Revenues	(22,197)	(22,882)	(685)
Expenditures			
Salaries and Benefits	2,292	2,239	(53)
Operating Costs	728	557	(171)
Cost Recoveries	-		
Total Expenditures	3,020	2,796	(224)
Net Revenue	(19,177)	(20,086)	(909)
FTEs	19.0	17.9	(1.1)

## Priorities and Measuring Our Performance

In the Commission's Business Plan for 2022-2023, 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 2022-2023 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 in Nova Scotia; (iii) using its expertise in addressing market developments and other changes that affect Nova Scotians; and (iv) working with the CSA to reduce regulatory burden and ensure requirements continue to be appropriate, necessary and relevant to capital market participants. The Commission pursued these goals through activities in the Commission's four core business areas: the Commission board and its adjudicative function, 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 commencing in the 2017-2018 fiscal year. For prior data between the base year of 2008-2009 to the 2017-2018 fiscal year, see the Commission's Annual Accountability Reports for the fiscal year 2015-2016 and 2017-2018.

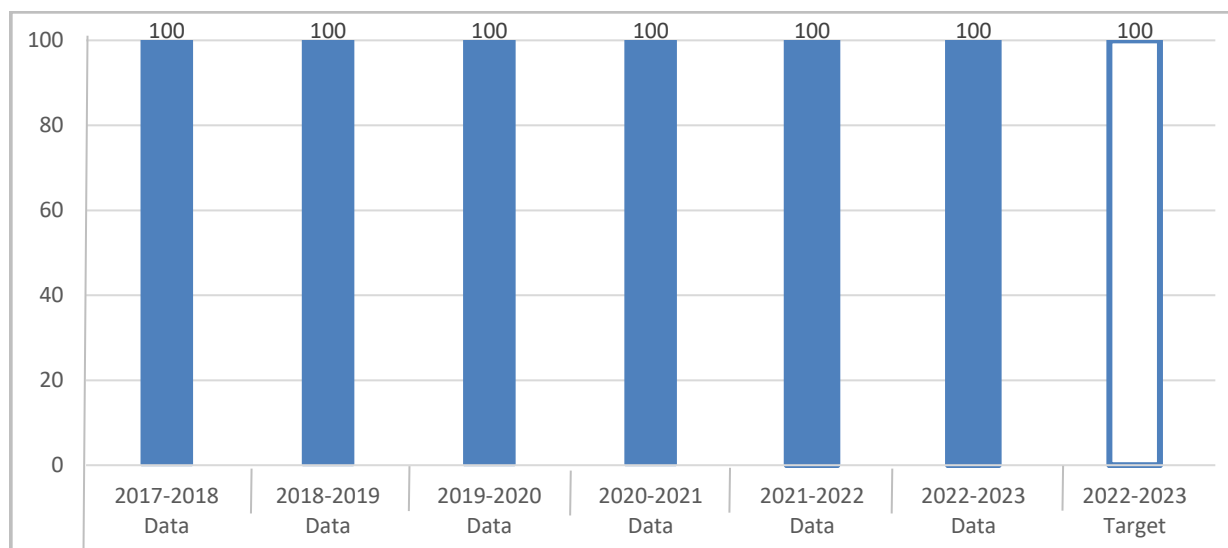
### Core Area 1 – The Commission

***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 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 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.

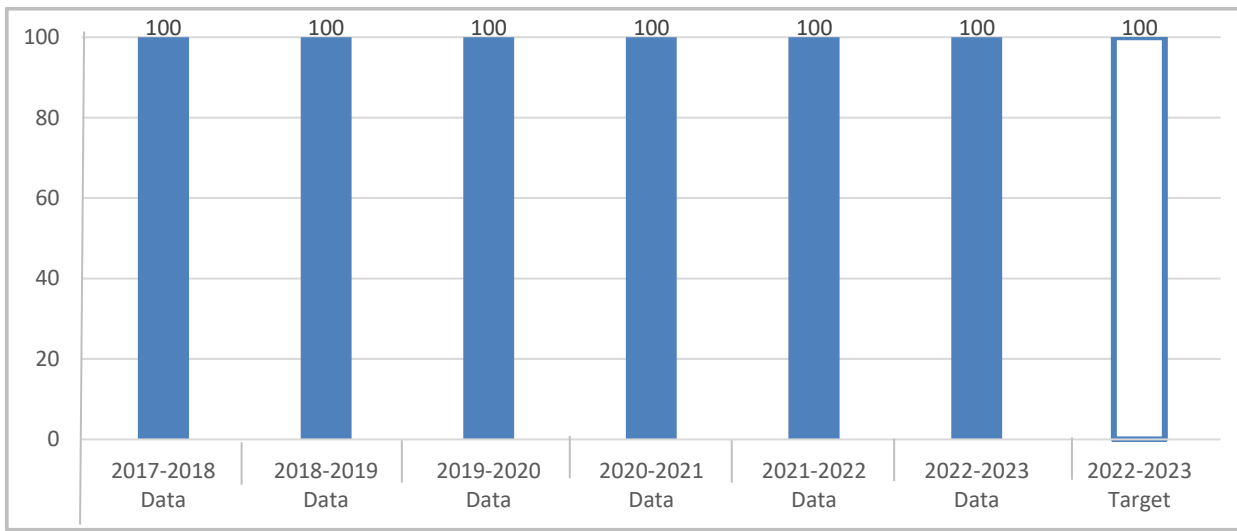
- Approved a number of matters relating to the amalgamation of the Investment Industry Regulatory Organization of Canada (IIROC) and the Mutual Fund Dealers Association of Canada (the MFDA) to create a new self-regulatory organization, initially called “New SRO”, and effective June 1, 2023, called “Canadian Investment Regulatory Organization” (CIRO). The Commission also approved matters relating to the combination of the two predecessor organizations’ investor protection funds.
- Amended NI 45-106 *Prospectus Exemptions* and Nova Scotia Securities Commission Rule 45-501 *Statutory Liability for Misrepresentations in An Offering Memorandum* to introduce the Listed Issuer Financing Exemption.
- Published the eighth annual report on disclosure regarding women on boards and in executive officer positions for non venture reporting issuers.
- Amended NI 45-106 *Prospectus Exemptions* to set out new disclosure requirements for issuers that are engaged in “real estate activities” and issuers that are “collective investment vehicles”, when those issuers are preparing an offering memorandum.



- Issued a coordinated blanket order exempting reporting issuers incorporated under the *Canada Business Corporations Act* from the director election form of proxy requirements in subsection 9.4(6) of NI 51-102 *Continuous Disclosure Obligations* in respect of the uncontested election of directors.
- Approved a large package of rule revocations, repeals, replacements, and new rules required for the implementation of the SEDAR+ system.

The Commission board’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 board met its target for considering 15 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.

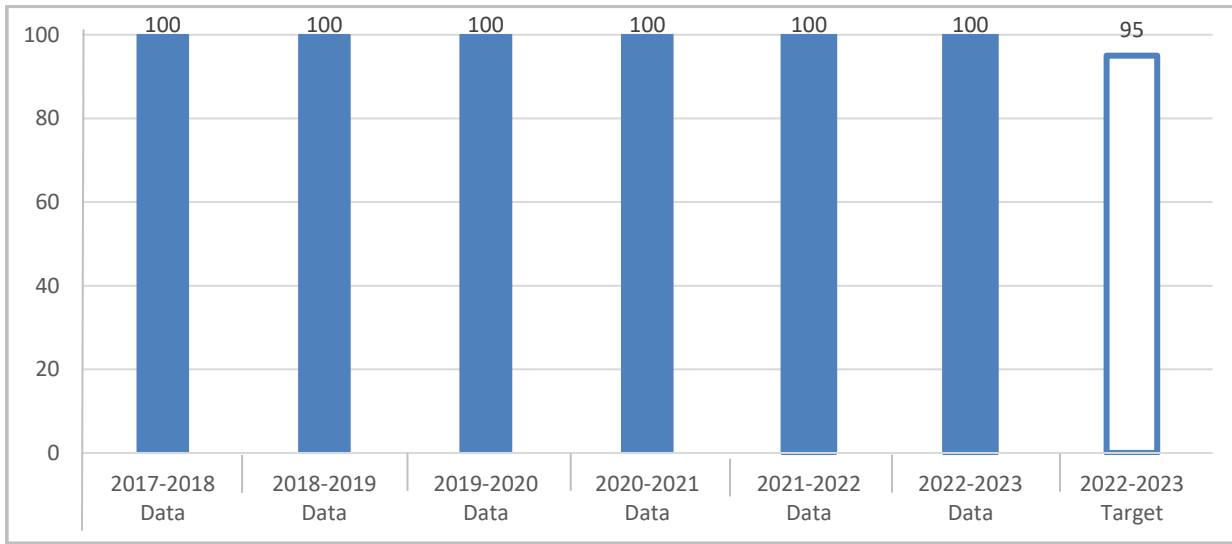
Chart 2: Percentage of exemption applications considered within five business days of filing with the Commission



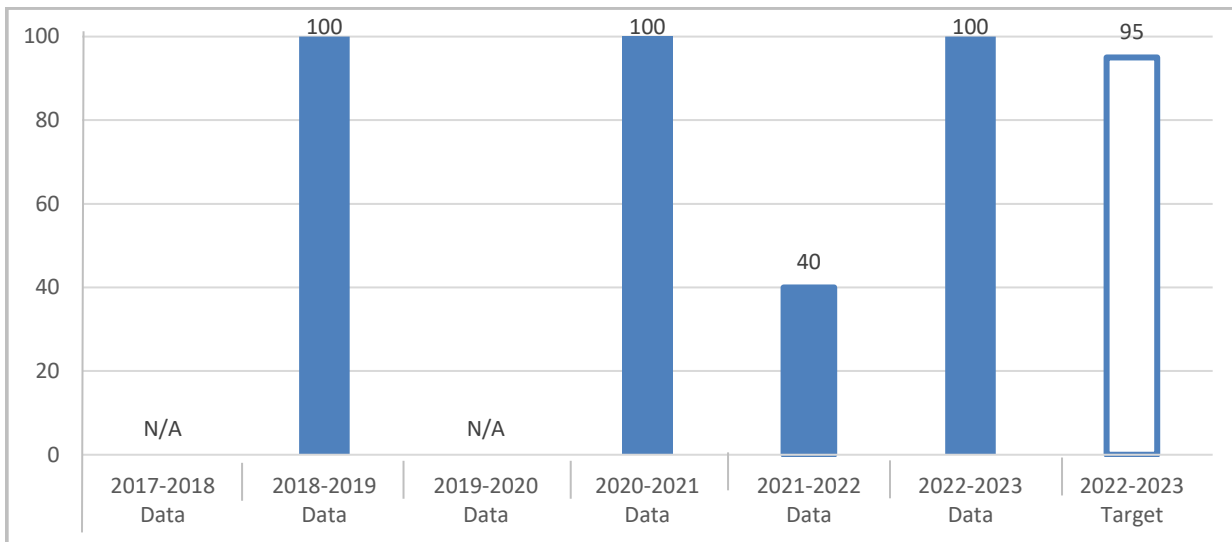
The Commission’s adjudication of enforcement proceedings in a timely manner is aimed at enhancing investor protection. As illustrated in Chart 3 below, the Commission exceeded its target this year relating to the timely issuance of orders following settlement hearings. The Commission held two hearings to consider the approval of settlement agreements and made the orders approving them within 10 business days of final submissions in the hearing, surpassing our target rate of 95%.

During the same period, as illustrated in Chart 4, the Commission also exceeded its target relating to the timely issuance of orders following contested hearings. The Commission issued two orders in one contested matter, both of which were issued within 90 days of the final submissions from the parties.

**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 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 self-regulatory organizations (SROs); and Investor Education, which relates to the Commission’s work to improve investors’

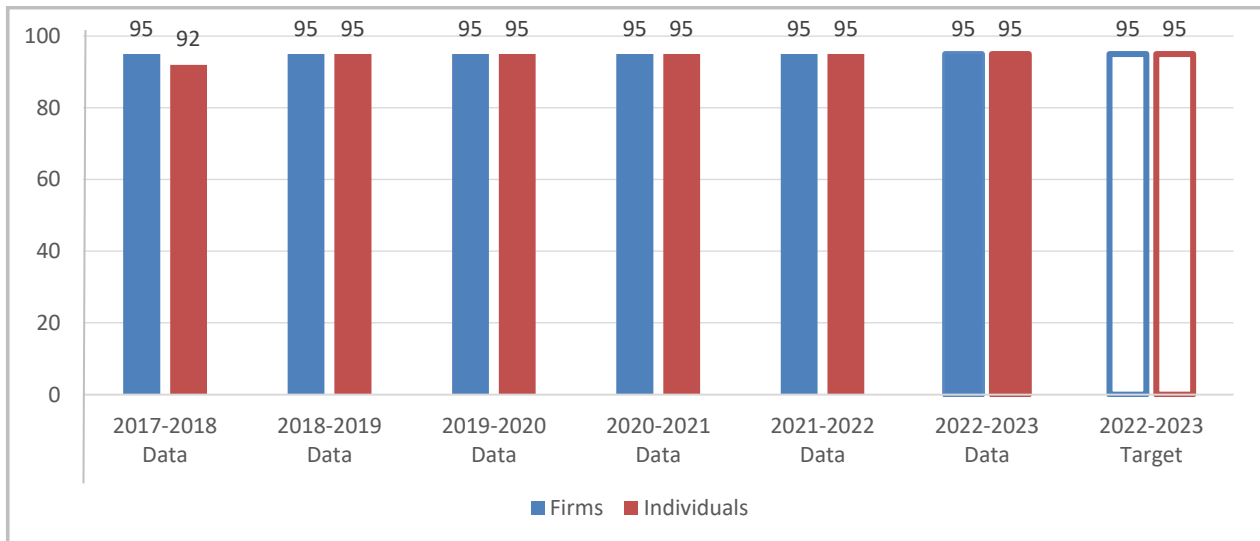
understanding of sound investment practices, ability to recognize questionable products and practices, and awareness of the role of the Commission.

**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 2022-2023, 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 registration process review aimed at streamlining procedures. The result has the elimination of redundant processes, implementation of electronic file management and digitization of documents.

*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 through rule amendments that now provide greater clarity and relevance for the regulators. Some of the enhancements clarify which outside business activities need to be reported and the nature of common disclosures like consumer proposals and other insolvency events. These changes also allow applicants to better understand the registration process and provide staff with more useful information needed for determining suitability for registration. All registrants must have their information updated to this new standard later in 2023.

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 help to safeguard a rapidly growing area of the investment industry. The CSA has introduced the requirement for unregistered Crypto Asset Trading Platforms (CTPs) to agree to and file a Pre-Registration Undertaking (PRU) to be permitted to continue to operate in Canada while undertaking the steps necessary to achieve registration under Canadian securities legislation. The PRU is an enforceable promise that the applicant will abide by certain terms and conditions for the conduct of the business and operations of the CTP, including with respect to appropriateness assessments, investment limits, know-your-client obligations, conflicts of interest, custody requirements, and reporting requirements, among others.

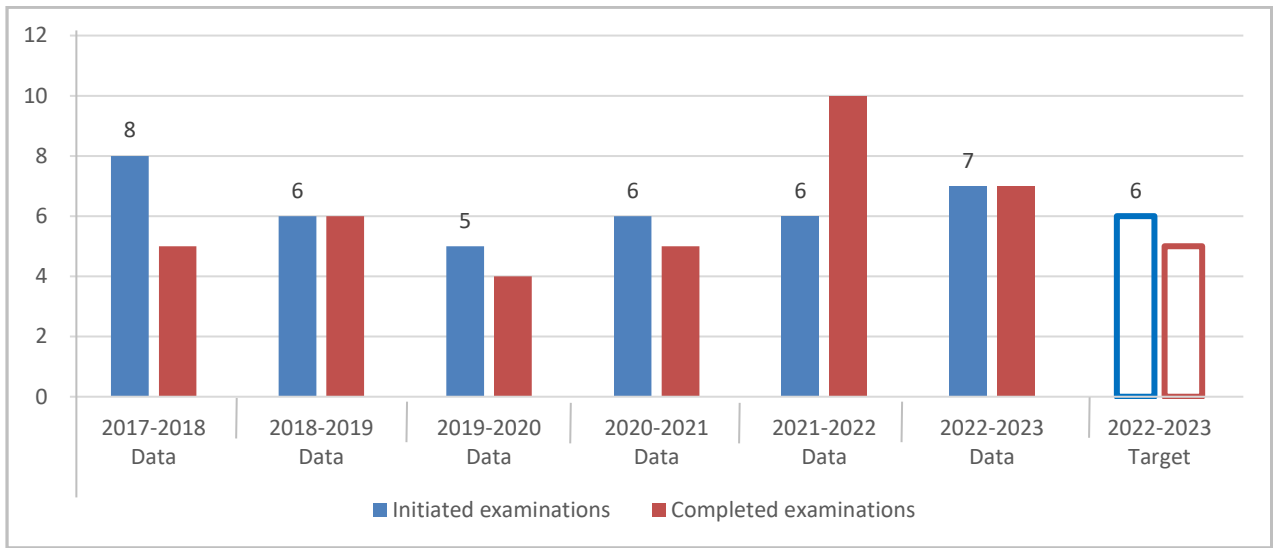
The Commission's Registration staff also continue to work on several committees of the CSA to provide a voice for stakeholders in Nova Scotia with respect to the formation of new rules and amendments to current rules. The investment industry is constantly evolving, including new products and client service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

### **Compliance**

The efficient administration of the Commission's compliance programs assesses that registrants are conducting their activities in accordance with Nova Scotia securities laws and 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.

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. This ensures that the firm's business practices and procedures create a safe environment for meeting their clients' investment needs and objectives. The numbers of opened examinations were above target in 2022-2023, and the number of closed examinations also exceeded the target. The move to remote examinations during COVID-19 restrictions has continued. This remote process operates smoothly and effectively. 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), advance commission and chargeback models, and the use of registrant titles will enhance investor protection. The second phase of a CSA wide review of specific areas of the CFRs was approved to proceed and will involve monitoring the implementation of the new rules to assess their effectiveness. Additionally, in early 2023, a CSA working group commenced planning to test controls that a firm implemented in connection with a new compensation model that resulted in an inherent conflict of interest for the firm’s clients. Compensation models that create an incentive for registrants to act against a client’s best interest are a serious concern for the Commission in fulfilling its investor protection mandate. National committee work provides a voice for stakeholders in Nova Scotia.

**Self-Regulatory Organization Oversight**

On January 1, 2023 the amalgamation of IIROC and the MFDA (SROs that are recognized in Nova Scotia) came into effect. SRO oversight is an integral part of the Commission’s compliance work to ensure that the SRO provides 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 SRO, resources have been directed to SRO oversight to ensure 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 SRO has resulted in higher numbers of firms being examined in Nova Scotia by the SRO and better supervision of the many branch offices located in this jurisdiction. Additionally, the CSA SRO and Protection Fund Oversight Methodology and Process, implemented in 2021, has effectively streamlined the oversight process.

Market Regulation staff, together with the SRO, continued to work on several 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 CFRs by way of targeted reviews with the SRO.

The amalgamation of the SRO’s on January 1, 2023 was the culmination of work done by a national working group 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 up to facilitate the implementation of the new framework. There is considerable work being done following the amalgamation to oversee the creation of harmonized rules and to implement coordinated systems and formulate solutions to identified issues.

### *Investor Education*

The Commission's Investor Education (IE) office delivers engaging and relevant investor education programs and content to connect with Nova Scotians for the purposes of effective investor protection. The content, programs, and the performance matrix discussed below outline how the IE office continues to enhance investor protection in Nova Scotia educating Nova Scotians on sound investment practices, and sharing the knowledge and skills they need to recognize and identify securities fraud and questionable investment products and practices.

The Student Connections program continues to expand and reach an increasing number of young Nova Scotians. Last year, the number of presentations to students in high school, college and university were up 60 percent year-over-year. The IE Office continued partnerships with teachers and professors at C.P. Allen High School, NSSC Ivany Campus, Mount Saint Vincent University, Saint Mary's University, and Dalhousie University, and added new schools to the presentation roster, including Citadel High School, and Halifax West High School.

The IE office also saw an increase in presentations to other audiences last year. Our partnership with the Halifax Central Library grew to include seven presentations throughout the year on a wide range of topics, including Basic Investing, Investment Fraud and Scams, and Crypto Assets. One of these presentations was recorded by Eastlink TV for broadcast on their Podium TV program.

Our outreach to seniors' organizations also increased with presentations delivered to Chebucto Links, the Sackville Seniors Centre, and CARP Nova Scotia. Late in the year, connections were made with the BOLD Centre in Baddeck, the Flourish Centre in Bridgewater, Metro Works, and GoverNEXT, which has led to several scheduled presentations in the coming year.

The Commission added a new social media channel last year with the launch of the Commission's Facebook page on June 1, 2022. The Facebook page was used to share investor education content, regulatory updates, events, and to follow other financial literacy organizations. It was also a key part of a crypto asset-related anti-fraud campaign in January 2023.

The Commission's enforcement division observed a large increase in complaints of investor losses due to crypto asset-related fraud last year. Enforcement staff coordinated with the IE office to develop a crypto asset fraud alert and advisories campaign to educate Nova Scotians about this threat. A warning alert was issued in January, 2023 and was promoted through paid ads on allNovaScotia.com and Facebook and shared on Twitter, LinkedIn, YouTube, and Facebook, as well as through the Nova Scotia government news feed. The alert and ads received high engagement numbers on Facebook and the Commission website and received considerable media attention, including from CBC radio and TV, Radio Canada, Global, City News 95.7, and SaltWire. Stories also appeared in the Globe and Mail, Investment Executive, Canadian Press, Toronto Star, CTV Atlantic, The Coast, and MSN News.

The Commission was active during three theme months. During Investor Education Month (October), the IE office packaged its Investor Knowledge Quiz into a video and a blog series for Nova Scotians to test their investment knowledge against the average Canadian. During Financial Literacy Month (November), the Commission produced two new videos on the difference between saving and investing, including one focused on need to invest rather than merely save for an adequate retirement plan. During Fraud Prevention Month (March), we produced a new video highlighting crypto asset-related fraud and three videos of a new-series entitled, “3 Minutes on \_\_\_\_\_”. These first three videos were on Ponzi schemes, recovery room schemes, and the red flags of investment fraud.

The Commission hosted a meeting of the North American Securities Administrators’ Association (NASAA) Alerts and Advisories Committee in September 2022 which included attendees from Massachusetts, Wisconsin, Michigan, North Carolina, and British Columbia. While in Nova Scotia, the committee produced three new NASAA alerts, developed new crypto guidance content, and discussed new ways to deliver content and information to investors.

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

<b>Matrix</b>		
<b>Goals</b>	<b>Actions to achieve Goals</b>	<b>Percentage of Actions Completed to Achieve 2022-2023 Goals</b>
Outreach to local media to build new and existing relationships	<ul style="list-style-type: none"> <li>Regularly updated media list to ensure all media outlets and reporters are being reached.</li> <li>Received regular media inquiries about press releases and successfully pitched media stories.</li> <li>Receive unprecedented media requests and coverage for January crypto asset-related fraud alert.</li> </ul>	100%
Update Commission website	<ul style="list-style-type: none"> <li>Created and regularly updated a new Investor Alerts and Cautions webpage.</li> <li>Updated registered crypto trading platform page with new language and warnings.</li> <li>Updated CEDIF, crowdfunding, and complaints webpages.</li> <li>Added social media “Follow Us” links page.</li> </ul>	100%
Improve the reach of the Student Connections Program	<ul style="list-style-type: none"> <li>Made new connections with high school and post-secondary teachers/instructors</li> <li>Delivered more presentations to high schools and post-secondary institutions across the province than in previous years.</li> </ul>	100%

<b>Matrix</b>		
<b>Goals</b>	<b>Actions to achieve Goals</b>	<b>Percentage of Actions Completed to Achieve 2022-2023 Goals</b>
Improve outreach to wider range of audiences	<ul style="list-style-type: none"> <li>• Connected with multiple seniors' organizations to provide content and presentations.</li> <li>• Hosted seven presentations at the Halifax Central Library.</li> <li>• Formed new partnerships with MetroWorks, Eastlink TV, GoverNEXT, and CFA society Atlantic.</li> <li>• Launched Commission Facebook page.</li> </ul>	100%

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

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

The operations of the Corporate Finance Branch help to promote an efficient capital market and economy while maintaining investor protection. In pursuit of the Commission's goal set out in the 2022-2023 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.

Corporate Finance policy projects included:

- the publication of CSA Consultation Paper 43-401 *Consultation on National Instrument 43-101 Standards of Disclosure for Mineral Projects*;
- the publication for comments on proposed amendments to Multilateral Instrument 91-101 *Trade Repositories and Derivatives Data Reporting* to update and harmonize OTC derivatives trade reporting with international data requirements;
- proposed amendments to National Instrument 81-106 *Investment Fund Continuous Disclosure* to reduce regulatory burden through an access instead of delivery model for continuous disclosure documents;



- amendments to National Instrument 45-106 *Prospectus Exemptions* requiring enhanced disclosures for real estate and collective investment vehicles relying on the offering memorandum exemption; and
- the issuance of Blanket Order 51-930 *Exemption From the Director Election Form of Proxy Requirement* aligning CSA and the *Canadian Business Corporations Act* regarding proxy disclosure for director voting requirements.

Corporate Finance continued its work with the CSA on harmonization and regulatory burden reduction projects through:

- published guidance regarding the interpretation of the primary business requirements for prospectus disclosures;
- amendments to allow for listed issuers to rely on a new streamlined financing exemption;
- the publication of guidance on derivatives data reporting between the CSA and U.S. CFTC rules during the transition period of adopting new reporting requirements; and
- preparing market participants for the transition from CDOR as an interest rate reference.

The branch also published data on the biennial report of continuous disclosure reviews of non-investment fund reporting issuers highlighting deficiencies in continuous disclosure reporting, the eight annual review of women on boards in Canada and the reminder regarding the transition from SEDAR to SEDAR+ deadline.

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 2022-2023, Corporate Finance issued comment letters within three business days to three out of three (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 \$359 million in 2022-2023, while Community Economic Development Corporations (CEDIF issuers) raised \$0.61 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)

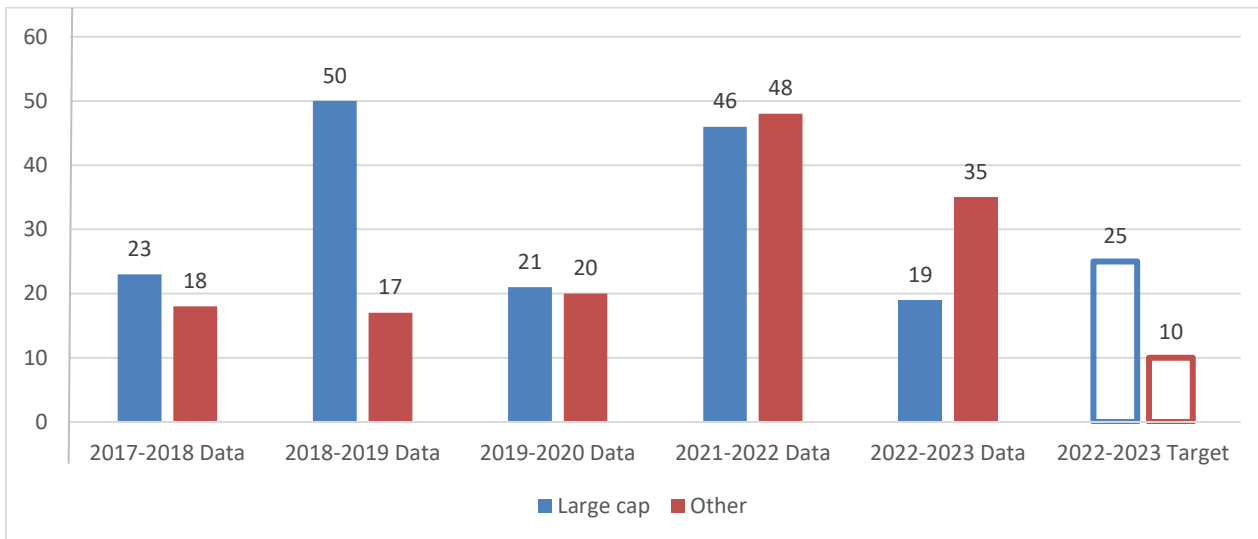


The Commission’s Corporate Finance staff review public companies’ filings to ensure compliance with securities laws and consistency and uniformity in the information disseminated to the public so that members of the public make informed investment decisions based upon that information. In 2022-2023, 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 \$37.6 billion, and 10% of its other or small capital reporting issuers, based on 23 other issuers. The large capital firm and the small cap reviews were under the targets in 2022-2023. Commission staff completed reviews for \$7.0 billion out of the \$32.6 billion (19%) of Nova Scotia’s large cap public companies (five out of 14 large cap reporting issuers) and 7 out of 23 (35%) 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*



Since 2014, the Director of Corporate Finance has the delegated 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 2022-2023, the Director of Corporate Finance did not issue any cease trade orders for failure to file financial and associated disclosure within mandated timeframes and revoked one cease trade order.

**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 to provide effective investor protection and instill confidence in the integrity of the capital markets.

Front-end investor protection is provided by the Enforcement Branch through disruptive measures, including the issuance of investor alerts and additions to the newly created investor caution list 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.

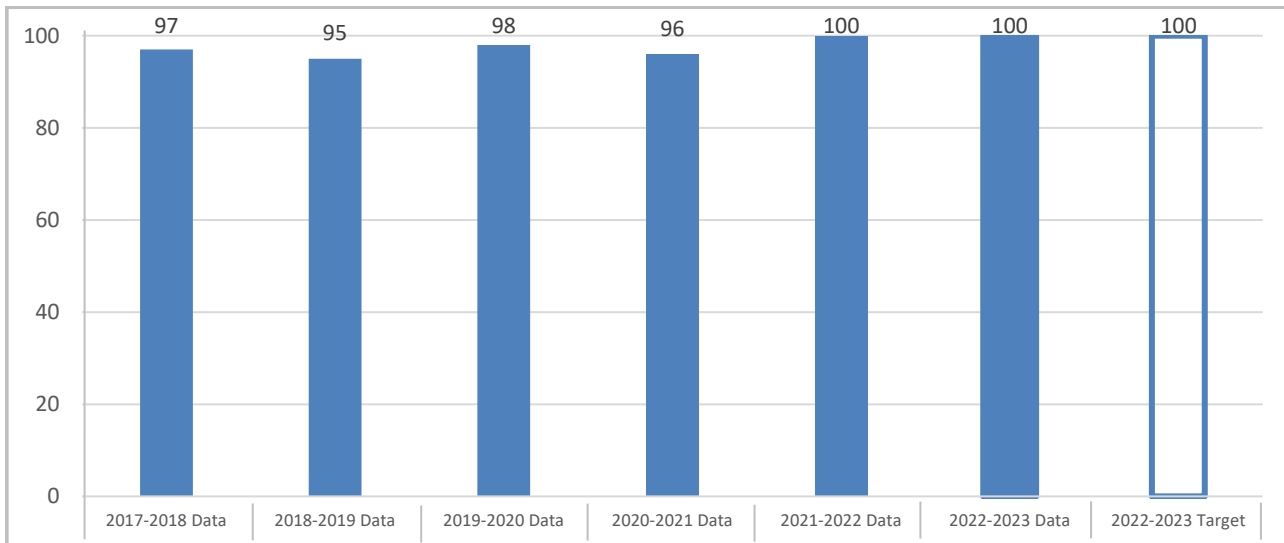
During 2022-2023, the Enforcement Branch arranged for a number of illegal online investment solicitations to be removed to protect the investing public, as well as issued or contributed to the issuance of 13 local /national investor alerts and press releases, and 19 local cautions to notify the public of known suspected scams.

The Enforcement Branch also protects investors through regulatory prosecutions for violations of securities laws. A successful prosecution allows the Commission to impose financial sanctions and prohibition orders against companies and individuals participating in such violations. Issuance of orders of this nature cultivates specific and general deterrence objectives against like-minded individuals and entities.

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.

As illustrated in Chart 10 below, during the 2022-2023 fiscal year, the Enforcement Branch consistently met its 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 2022-2023*



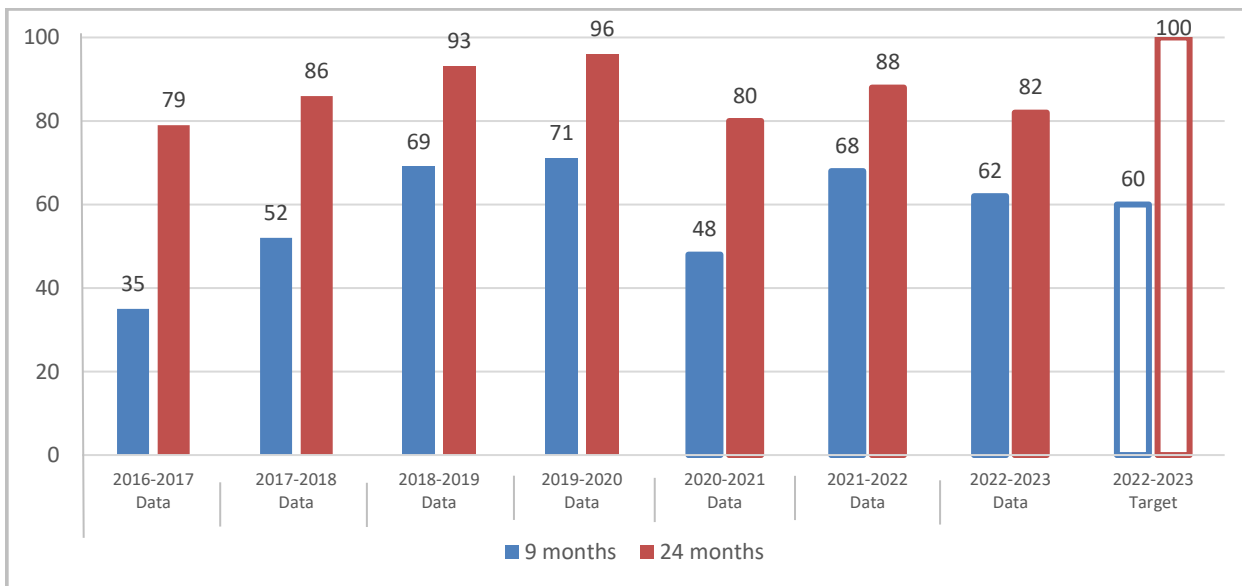
In 2022-2023, the Enforcement Branch received 96 complaints<sup>1</sup>, of which 66 were opened as investigation files. The remaining 30 complaints were determined to be unactionable inquiries and/or were referred to other regulatory agencies as applicable. A significant amount of Enforcement Branch time and resources are spent assessing and 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.”

61 investigation files were concluded in 2022-2023. Of those 61 files, 38 files (62%) were concluded within the first nine months of commencing the investigation. 12 files (20%) took between nine and 24 months to conclude. 82% 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 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 the plethora of available social media platforms, investigations are both more complex and more time consuming, and require extensive legal, investigative, technological, and supporting resources to advance.

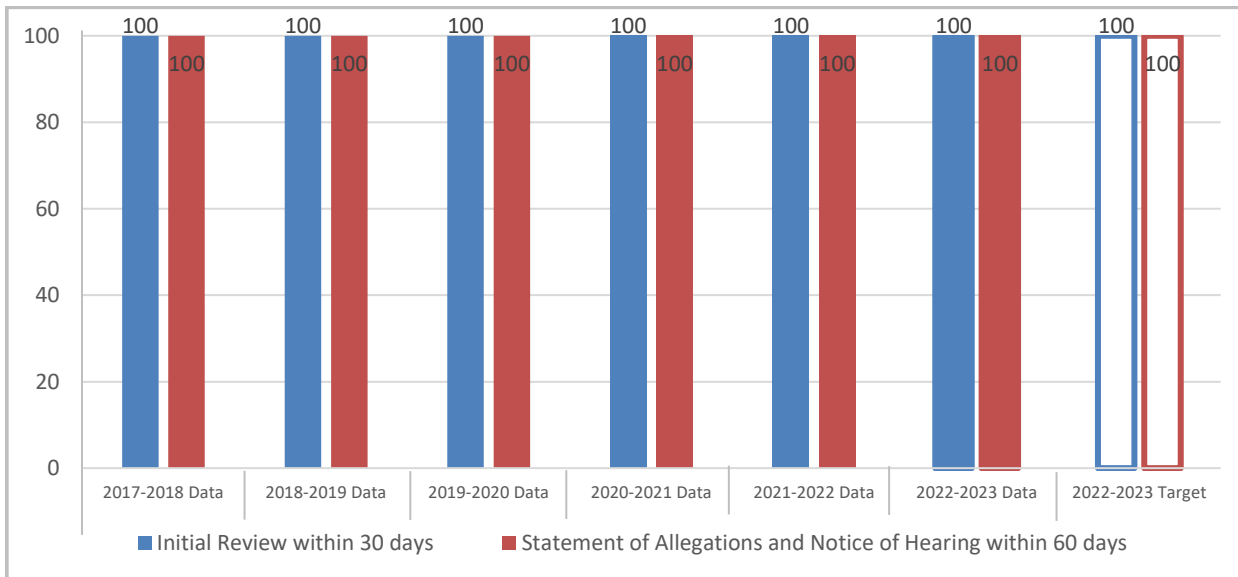
Chart 11: Percentage of investigations concluded by Enforcement Staff based on: 1) 60% of investigations within nine months; and 2) all investigations within 24 months



<sup>1</sup> “Complaints” in this report include public complaints; public inquiries; referrals from SROs 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.

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 2022-2023, the Enforcement Branch concluded two administrative enforcement proceedings. These proceedings resulted in the imposition of regulatory sanctions, \$135,000.00 in administrative penalties, and \$11,500.00 in cost recoveries.

The Enforcement Branch also successfully made its first application to the Supreme Court of Nova Scotia for a restitution order for aggrieved individuals identified in a Commission decision issued the prior fiscal year.

Additionally, the Enforcement Branch successfully responded to an appeal of a Commission merits and sanctions decision and order issued the prior fiscal year.

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 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

<b>Information Required under Section 18 of the Act</b>	<b>Fiscal Year 2022-2023</b>
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