

**NOVA SCOTIA SECURITIES COMMISSION**

**Statement of Mandate**

**2015 - 2016**

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# 1. Message from the Chair

I am pleased to present the 2015-2016 Statement of Mandate for the Nova Scotia Securities Commission, setting out our goals and objectives for the coming year.

The Commission is responsible for the oversight of Nova Scotia's capital markets, and its principal objectives are the protection of Nova Scotia's investors and the promotion of fair and efficient markets for raising capital in our province. This is accomplished through the activities described below in Part 2. Our strategic outcomes described in Part 3 below, and our performance measures, outlined in Part 6, are designed to ensure the effective and efficient use of our resources in a manner that reflects our core values of respect, integrity, reliability and accountability.

For the coming year, the Commission is preparing for the implementation and advancement of a number of new initiatives, in addition to our core services described in this statement.

For example, in 2015, recent amendments to National Instrument 58-101 will come into effect, requiring non-venture reporting issuers in Nova Scotia to report annually on a number of measures relating to gender diversity in their boards and senior management ranks, as well as other board renewal initiatives. This "comply or explain" initiative is intended to increase transparency for investors and other stakeholders regarding the representation of women on boards and in senior management of public companies. This transparency is intended to assist investors when making investment and voting decisions.

Also expected in 2015 is the advancement and possible implementation of the proposed new Startup Exemption and Crowdfunding Exemptions from the province's prospectus and registration requirements. These two new exemptions are designed to help small to medium sized businesses in Nova Scotia to access the capital they need to grow while providing Nova Scotia investors with access to these investments in a regulatory environment that provides appropriate protections.

In 2015-2016, we look forward to continued cooperation with securities regulators in other jurisdictions across Canada in numerous ongoing projects of the Canadian Securities Administrators ("CSA") relating to updating, harmonizing and modernizing securities regulation in Canada. These projects include developing further enhancements to the CSA information technology systems, further examination of the regulatory standard of conduct for investment advisers and dealers and the regulation of mutual fund fees, continuing the development of improved regulation of securitized products and derivatives, and the continued development of rules for improving the information provided to investors at the point of sale.

This year we will also be continuing to support the province's community economic development investment funds ("CEDIFs"), through our ongoing consultation, registration, compliance and monitoring activities.

Carrying out this mandate will not be possible without the hard work, dedication and commitment of our staff and our Commission members. I would like to acknowledge their significant efforts to aid the Commission in carrying out our goals and promote the interests of Nova Scotia investors and capital markets.

“Sarah Bradley”

Sarah P. Bradley

Chair & CEO

Nova Scotia Securities Commission

## 2. Department Mandate, Mission & Vision

The Commission is an independent, quasi-judicial tribunal which works to fulfil the mandate assigned to it under the *Securities Act*. Under the *Securities Act*, the Commission's mandate is to provide investors with protection from practices and activities that tend to undermine investor confidence in the fairness and efficiency of capital markets and to the extent not inconsistent with an adequate level of investor protection, to foster the process of capital formation. The Commission carries out the mandate assigned to it by Government through statute and regulation in a number of ways, including:

- Licensing securities industry professionals.
- Reviewing prospectuses in connection with proposed public offerings of securities and continuous disclosure from Nova Scotia's public companies.
- Reviewing offering documents prepared by issuers pursuant to CEDIFs.
- Carrying out targeted compliance reviews of public companies headquartered in Nova Scotia and investment industry registrants.
- Reviewing and issuing exemptions from the requirements of the *Securities Act*.
- Investigating complaints from the public and carrying out fair and timely enforcement of Nova Scotia securities laws.
- Overseeing the work of self-regulatory organizations involved in the protection of Canadian investors.
- Educating Nova Scotia investors and potential investors through a variety of investor education programs.
- Educating Nova Scotia small businesses about the programs and exemptions available to them and the functioning of the Province's capital markets.
- Establishing rules and policies relating to the regulation of the securities industry in Nova Scotia.
- Participating in coordinated policy development with other Canadian securities regulators through participation in the work of the CSA.
- Ensuring timely and responsible execution of the Commission's core responsibilities.

The Commission's mission is to be an effective and responsive securities regulator that instills investor confidence in and supports fair and efficient capital markets in Nova Scotia. Our vision is Nova Scotia capital markets that are safe, fair and responsive to the needs of all participants.

### 3. Strategic Outcomes

The primary strategic objective of the Commission is to establish and maintain capital markets in Nova Scotia that are safe, fair and responsive to the needs of market participants, including investors, companies seeking to raise capital and financial services providers. Each of our service areas has a role to play in achieving this primary objective and the strategic outcomes associated with each service area are described below. In Part 6, we detail the performance measures associated with each of these strategic outcomes.

- a) **Rulemaking:** Our Commission is committed to making rules and establishing policies that protect investors and ensure that the needs of all market participants are considered. Our strategic outcome for this service area is: Efficient administration of the Commission's policy making and adjudicative jurisdictions.
- b) **Compliance:** The Commission monitors the activities of firms, advisors and intermediaries in our markets to ensure appropriate compliance with our rules and policies. Our strategic outcomes for this service area are: Efficient administration of the registration system; efficient administration of the compliance programs to deter undesirable behavior in capital markets and provide effective investor protection; and efficient administration of the prospectus, Community Economic Development Investment Fund and continuous disclosure review systems.
- c) **Enforcement:** The Commission responds to investor complaints, investigates alleged breaches of Nova Scotia securities laws, and brings appropriate and timely proceedings where violations have been detected. Our strategic outcome for this service area is: Efficient administration of enforcement programs to deter undesirable behavior in capital markets and provide effective investor protection.
- d) **Communications:** The Commission's goal is to create awareness of the Commission by engaging Nova Scotia investors in understanding securities laws and Nova Scotia capital markets and developing innovative ways to build Nova Scotia investors' confidence in Nova Scotia capital markets as well as improving the information and resources provided to industry participants. Our strategic outcome for this service area is: Efficient administration of the investor education programs and communication of Commission activities to promote effective investor protection.

## 4. Government Priorities

Of the government's four priority areas of focus, the Commission contributes primarily in two key areas:

- a) Fiscal. The government's goal is a balanced budget during its mandate and to achieve sustainable government by 2017-2018; and
- b) Economy. The government's goal is to create a climate for private sector and social enterprise economic growth to support OneNS economic goals.

The Commission plays a vital role in the Nova Scotia economy. Our mandate, as outlined above, is to oversee the capital markets in order to create an environment of transparency, efficiency and fairness; and to promote faith and confidence in the investment community and Nova Scotia's financial markets. The following is a discussion of how the Commission's decision-making, programs and strategic planning align with these core priorities.

### **a) Fiscal: Balanced budget and sustainable government**

In the Commission's day to day operations, prudent financial management is incorporated into all decisions to minimize expenses and to also maintain regulatory integrity. The Commission is and for many years has been generator of net revenue for the province. For example, in the Fiscal Year 2013-2014, the Commission had revenues of \$17.9 million and expenditures of \$2.5 million, thereby generating net revenue to the Province of \$15.4 million and a net positive variance to plan of \$2.7 million. We anticipate that we will generate similar revenues for the province in 2015-2016.

Wherever possible, the Commission collaborates with other securities regulators from across Canada to deliver our programs and policies in an efficient and cost effective manner. A majority of the Commission's programs are developed and, if required, amended in collaboration with other securities regulators through our participation in the CSA. This work is accomplished primarily through email and conference calls to ensure the most efficient use of resources.

The Commission also minimizes costs through participation with other members of the CSA in developing and using national electronic information systems such as: SEDAR (the System for Electronic Document Analysis and Retrieval) for corporate finance filings; NRD (the National Registration Database) which is used by capital markets for dealer and individual registrations; SEDI (the System for Electronic Disclosure by Insiders) for the disclosure of insider trading activities; the CTO (Cease Trade Order database) where all cease trade orders are filed; and a CSA Sharepoint website where exemption applications, memos, orders and committee minutes and meeting items are filed.

The Commission's service delivery for the review and consideration of prospectus filings, exemption applications and registration applications is coordinated with other jurisdictions pursuant a system of mutual reliance known as the "passport system", which was developed by

the CSA in order to allow market participants to access capital markets across Canada through a single regulator.

Monthly, each division of the Commission prepares a report of its operations to enable the Commission and its management staff to examine the programs and their outcomes to ensure that they are sustainable, essential and relevant to the needs of stakeholders.

The Commission also has a progressive investor education program that relies heavily on cooperation with partners and stakeholders to create awareness for the Commission and the many unbiased investor education resources we have available to the public. Locally, we coordinate our programs with post-secondary institutions, federal and provincial government agencies and departments, and non-profit groups to help deliver investor education across the province. Through the CSA and the North American Securities Administrators Association Investor Education Committees, we are able to collaborate with some of the best minds in financial literacy and bring world class investor education programs to Nova Scotia at a fraction of the cost of developing and delivering them independently.

#### **b) Economy: Create a climate for private sector and social enterprise economic growth to support OneNS economic goals**

As the principal regulator for capital markets activity in Nova Scotia, the Commission is continuously engaged in the functioning of the governance structures that support a healthy economy and are conducive to capital raising and investment in the province. The Commission currently regulates approximately 40 active public companies, over 50 CEDIFs and all private companies in Nova Scotia. In addition, we regulate the registration and activities of thousands of financial services industry participants engaged in producing and selling investments in the province.

Through our programs and services, the Commission provides a foundation of fairness, efficiency, and investor protection upon which the province's capital markets are built. While all business investments involve an element of risk, we ensure that the playing field is level for all participants.

In addition, we are engaged in a continuous review of our processes and requirements to determine where regulatory reform is appropriate. One of our key strategic priorities is to be responsive to the needs of Nova Scotia's capital market participants and to amend or mitigate the effects of our system of laws and regulations as necessary in the interests of the province's investors and businesses.

An example of such reforms are the proposed new Startup Exemption and Crowdfunding Exemptions from the province's prospectus and registration requirements. These two new exemptions are designed to help small to medium sized businesses in Nova Scotia to access the capital they need to grow while providing Nova Scotia investors with access to these investments in a regulatory environment that provides appropriate protections.



## 5. Budget Context

<b>Nova Scotia Securities Commission</b>			
	<b>2014-2015 Estimate</b>	<b>2014-2015 Forecast</b>	<b>2015-2016 Estimate</b>
	<b>(\$thousands)</b>	<b>(\$thousands)</b>	<b>(\$thousands)</b>
<b>Program Expenses:</b>			
<b>Salaries</b>	1,894	2,050	1,985
<b>Operating Costs</b>	850	694	610
<b>Total Program Expenses</b>	2,744	2,744	2,595
<b>Additional Information:</b>			
<b>Ordinary Revenue</b>	(15,800)	(15,824)	(16,800)
<b>Fees and Other Charges</b>		(13)	
<b>Ordinary Recoveries</b>		(2)	
<b>Provincial Funded Staff (FTEs)</b>	19	19.4	19.4

## 6. Performance Measures

The Commission has established a number of performance measures by which we gauge our performance and our responsiveness in achieving these outcomes to the constituencies we serve. On a monthly basis, our management staff reports on these measures to the Commission. In the charts below, we set out a summary of our performance in recent years compared to our base year performance in 2008-2009.

### **Outcome: Efficient administration of the Commission's policy making and adjudicative jurisdictions**

#### **Performance Measures – Commission**

It is important that the Commission respond in a timely manner when implementing new nationally-harmonized securities legislation and making decisions with respect to the outcome of adjudicative hearings. The Commission Secretary monitors these activities and ensures timelines are met.

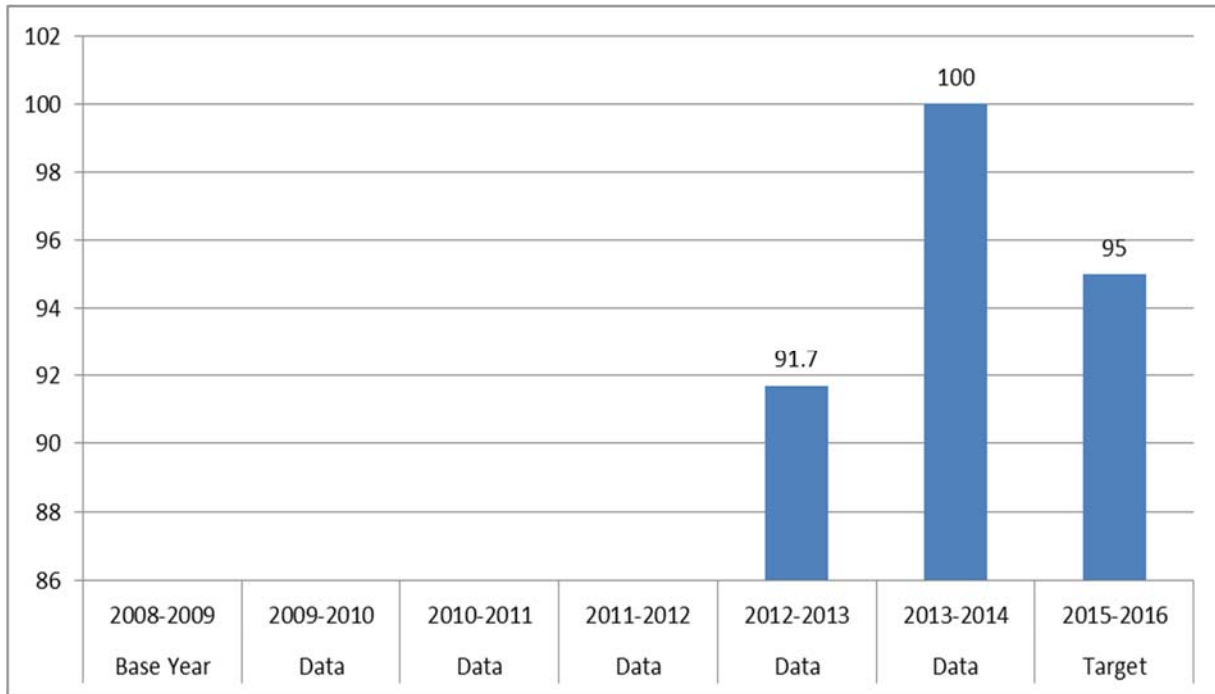
The Commission is required to enact nationally-harmonized securities regulations efficiently in order to continue the harmonization of securities laws as contemplated in the Provincial/Territorial Memorandum of Understanding on Securities Regulation. In furtherance of this mandate, the Chair and Commission staff work with the Minister and Department of Finance officials to bring forward legislation efficiently. Since the base year of 2008-2009, we have consistently met the timelines set for such enactments, and we will continue to do so to ensure that the harmonized legislation comes into effect in Nova Scotia on the scheduled effective dates.

Additionally, public confidence in the Commission's enforcement activities and fairness to respondents in hearings before the Commission requires that orders be made on a timely basis following final submissions in hearings. Prior to 2012-2013, our goal was to have orders issued in all hearings within 10 business days.

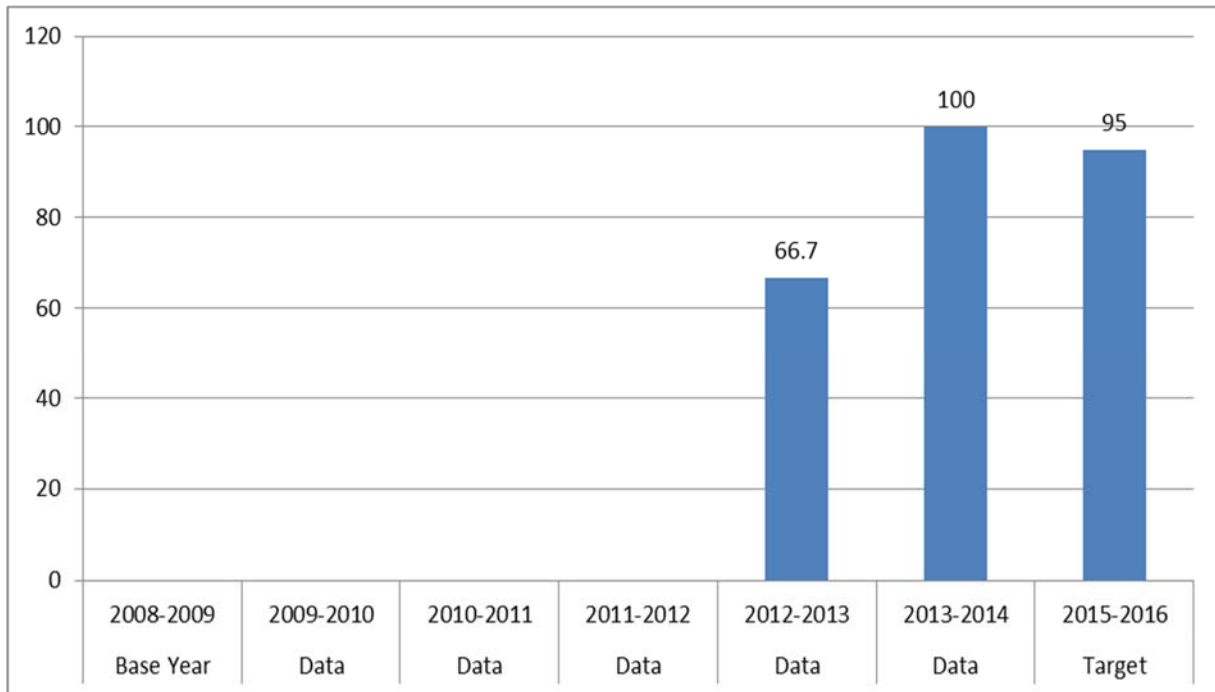
In 2010-2011 and 2011-2012, the Commission heard a number of matters that were contested, lengthy and complex, for which the 10 day target was not realistically achievable. In recognition that hearings before the Commission were becoming more complex, for 2012-2013, we amended this measure, maintaining our goal of 10 business days for matters that are concluded by a settlement hearing, and implementing a new performance measure of 90 days for contested hearings.

Below, Chart 1 sets out our target for settlement hearings and Chart 2 sets out our target for contested hearings.

*Chart 1: Percentage of orders and decisions made within 10 business days of the final submissions from parties following the conclusion of a settlement hearing (a new measure in 2012-2013)*



*Chart 2: Percentage of orders and decisions made within 90 days of the final submissions from parties following the conclusion of a contested hearing (a new measure in 2012-2013)*

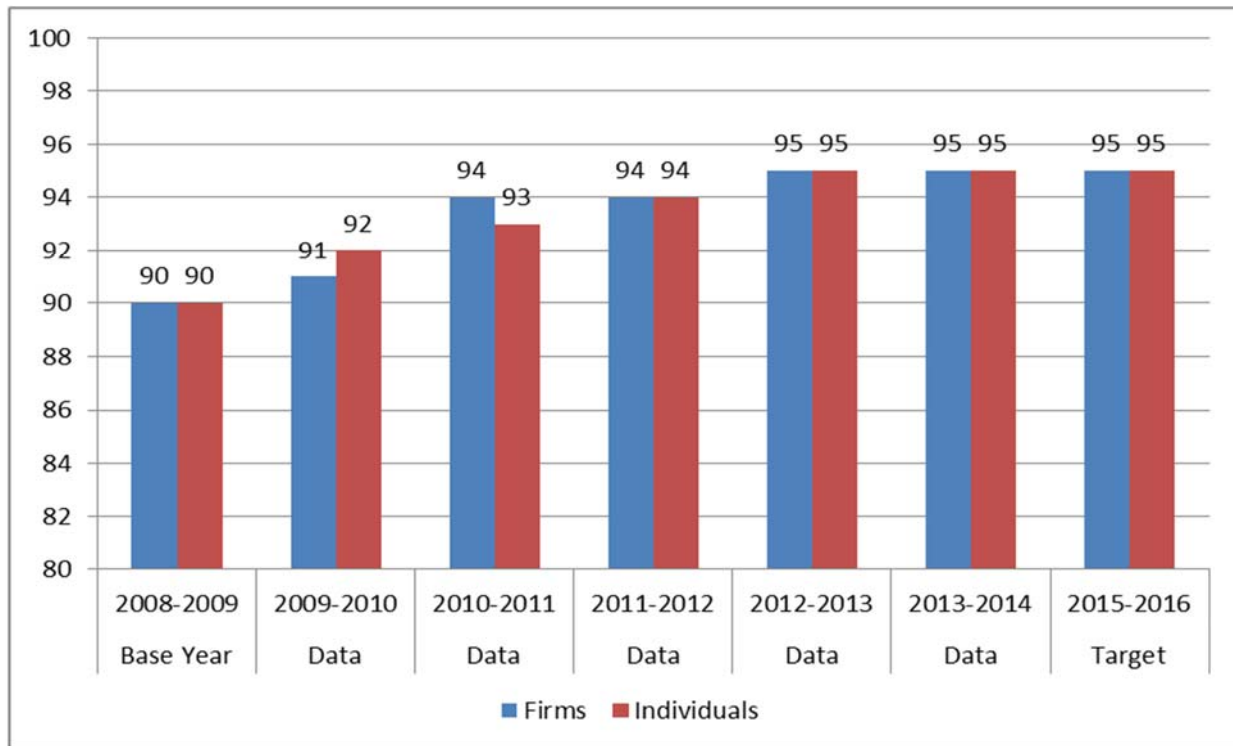


## Outcome: Efficient administration of the registration system

### Performance Measures – Registration

The Deputy Director of Capital Markets is responsible for a daily review and processing of registration submissions from firms and individuals. The data submitted on the National Registration Database is reviewed to ensure that individuals entering the securities industry have the necessary education and experience and that the firms entering the industry have sufficient financial resources and management to properly fulfil their roles. Below, Chart 3 demonstrates that we have consistently met over 90% of our set timelines for the processing of such applications, and we have set a target of 95% for 2015-2016.

*Chart 3: Percentage of firm applicants and individual applicants, where the Commission is the principal regulator that had their applications processed within the mandated timeframes after the final submission of necessary documents*

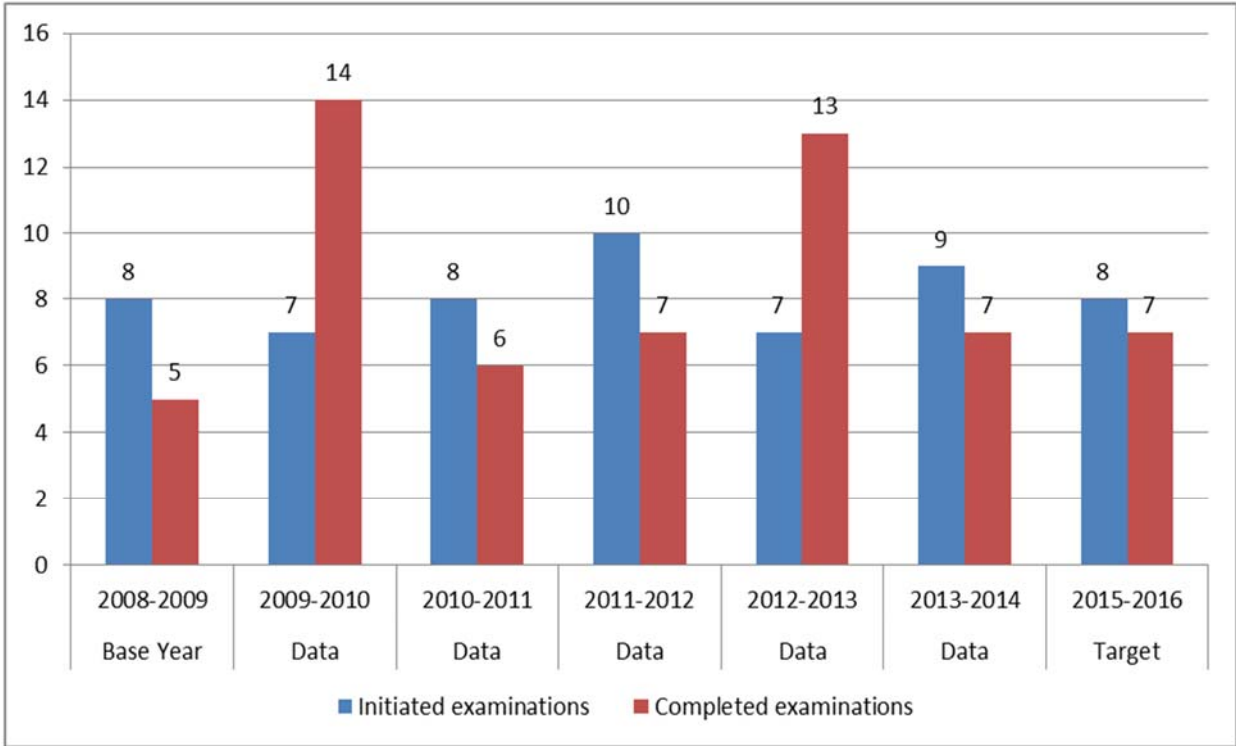


**Outcome: Efficient administration of the compliance programs to deter undesirable behavior in capital markets and provide effective investor protection**

**Performance Measures – Compliance**

The Commission’s Manager of Compliance conducts compliance reviews of the securities firms registered in Nova Scotia in order to monitor whether they are complying with Nova Scotia securities laws. Reviews may be conducted on the firms’ premises, may be conducted at the Commission as desk reviews, or may be part of a “sweep” that focuses on a particular issue. Compliance reviews are often done in collaboration with other members of the CSA Compliance Committee. Below, Chart 4 illustrates the number of field examinations that have been initiated and completed by the Commission, and our target for 2015-2016 of 8 initiated and 7 completed examinations. The target is based on the number of field examinations conducted in similar CSA jurisdictions.

*Chart 4: Initiated and completed field examinations of Nova Scotia registrants (one FTE)*



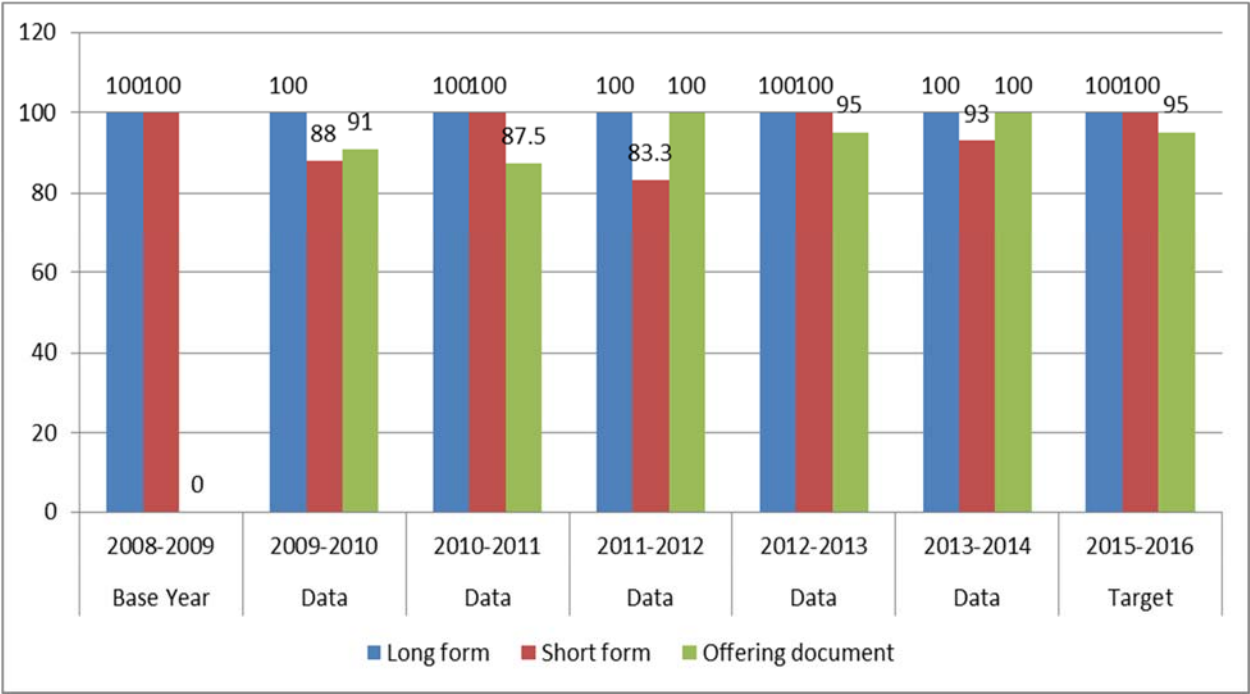
**Outcome: Efficient administration of the prospectus, Community Economic Development Investment Fund and continuous disclosure review systems**

**Performance Measures – Corporate Finance**

When contemplating investment decisions in public companies, investors must have all material information presented in a consistent manner on a timely basis. The role of the Commission’s Corporate Finance branch is to maintain the public confidence in the disclosure record of public companies by reviewing companies’ filings and providing meaningful feedback which will enable them to remedy any disclosure deficiencies. Public companies are required to file prospectuses when going to the market to raise capital, and the established disclosure standard for such prospectuses is a harmonized national standard. CEDIFs file offering documents, the required standard is prescribed in Nova Scotia Securities Regulations.

Below, Chart 5 demonstrates our past performance with respect to the 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 mandated timeframes. Our target for 2015-2016 is 100% for short and long-form prospectuses, and 95% for offering documents.

*Chart 5: 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*



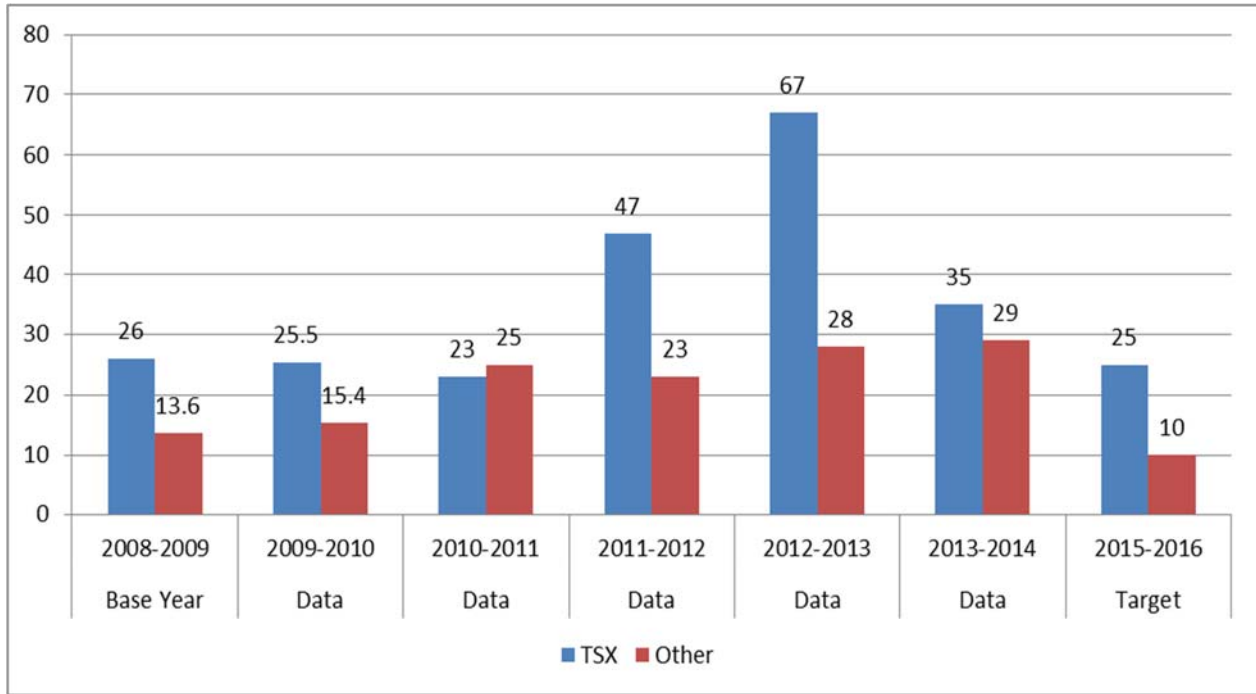
Below, Chart 6 illustrates the percentage of issuers based in Nova Scotia who received their receipt for a prospectus or letter of non-objection for an offering document within the nationally and locally mandated timeframes after filing final documents and sets our target of 100% for 2015-2016.

*Chart 6: 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*



Chart 7 below illustrates the percentage of reporting issuers based in Nova Scotia that had a review of their continuous disclosure filings in the year. Issuers listed on the TSX are reviewed on a percentage of market capitalization basis, others on the percentage of numbers of issuers. The required disclosure standards and targets in this category are harmonized with other CSA jurisdictions.

*Chart 7: Percentage of reporting issuers based in Nova Scotia that had a review of their continuous disclosure filings in the year*



**Outcome: Efficient administration of enforcement programs to deter undesirable behavior in capital markets and provide effective investor protection**

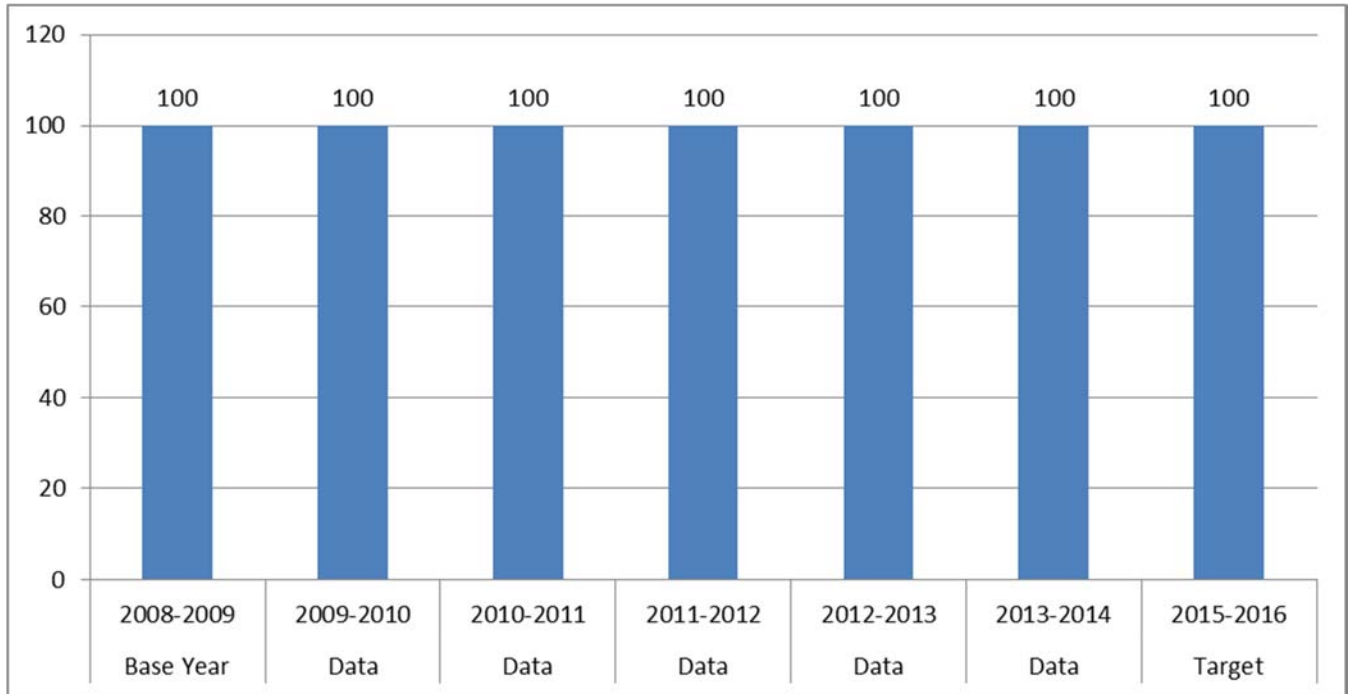
**Performance Measures – Enforcement**

This outcome is achieved by performing an ongoing critical review of case assessment and intake procedures to assess appropriateness of responses to complainants and reported incidents of violations of Nova Scotia securities laws. Files are tracked as they are investigated and if warranted, sent to enforcement counsel to commence a hearing before the Commission. This review is conducted by the Director of Enforcement to ensure maximum effect in Nova Scotia capital markets from enforcement efforts and efficient use of scarce resources.

Below, Chart 8 demonstrates that we have consistently met 100% of our target of 3 days from receipt for the review and confirmation of the initial assessment of each complaint, and that we have set a target of 100% again for 2015-2016.

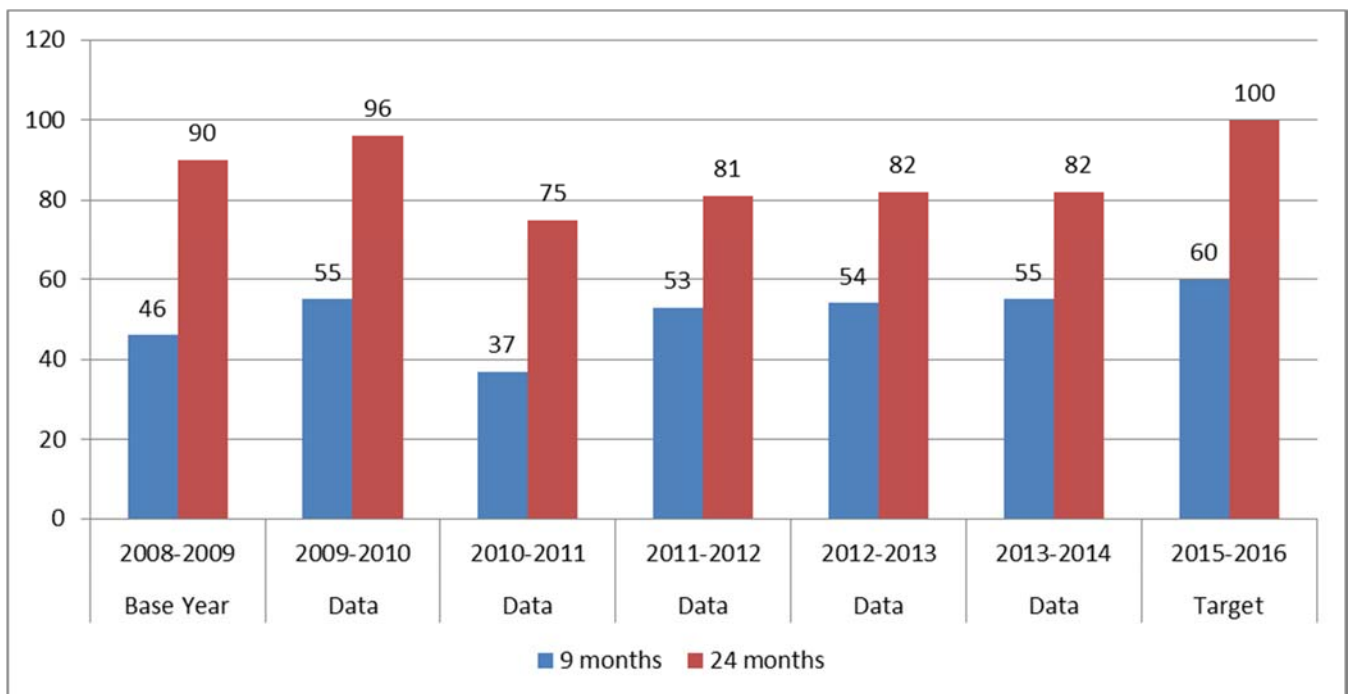


*Chart 8: Enforcement staff to refer to Director, Enforcement, for review and confirmation of initial assessment of each complaint within 3 days of receipt of complaint*



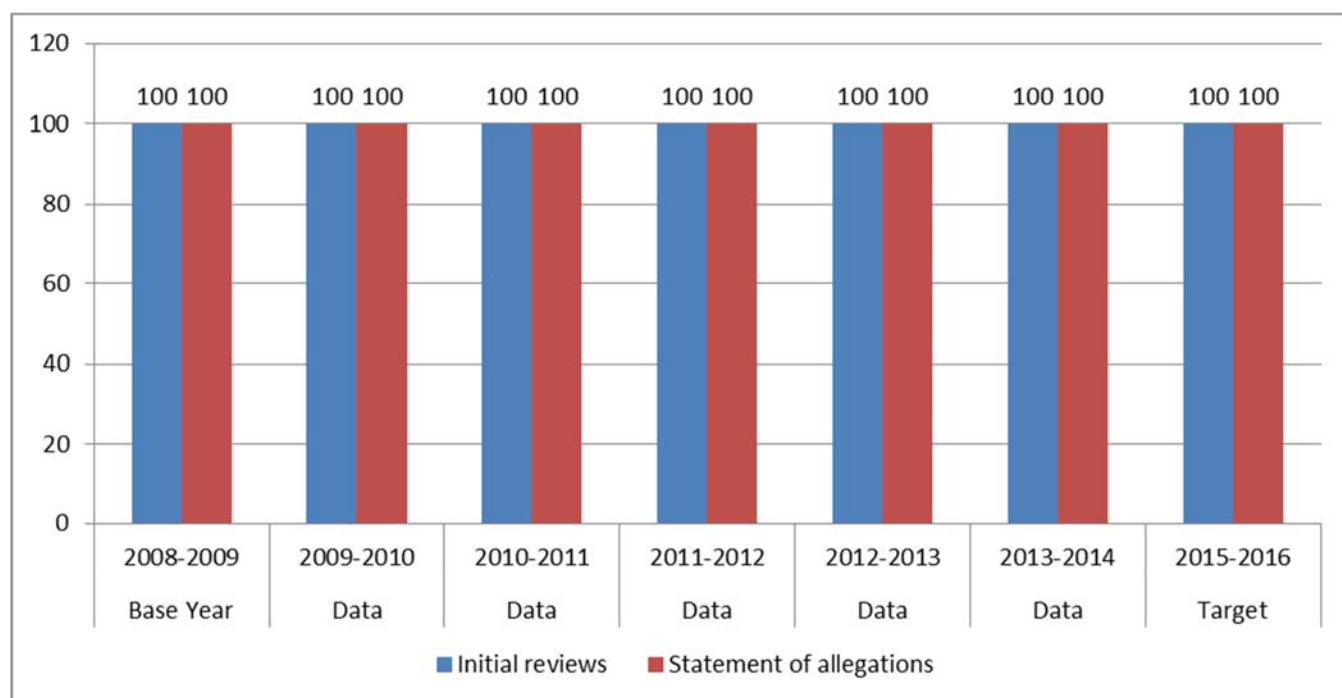
Below, Chart 9 sets out our performance and goals relative to our target of concluding 60% of investigations within 9 months and concluding all investigations within 24 months.

*Chart 9: Enforcement staff to conclude investigation and report to Director, Enforcement, on 60% of investigations within 9 months and all investigations within 24 months*



The timely conclusion of enforcement litigation files requires the achievement of two key benchmarks once a file has been referred to enforcement counsel following investigation: the completion of an initial review, and the issuance of a Statement of Allegations and Notice of Hearing. Our goal is to have the initial review completed within 30 days of receiving a referral and to have initiated the issuance of a Statement of Allegations and Notice of Hearing within 60 days of referral and the conclusion of negotiations with the respondent. Below, Chart 10 demonstrates that we have consistently met 100% of our target with respect to these two benchmarks, and that we have set a target of 100% for each again for 2015-2016.

*Chart 10: Percentage of files where enforcement counsel completes initial review of investigation files referred to counsel and provides a written response within 30 days; and 2) enforcement counsel initiates issuance of a Statement of Allegations and Notice of Hearing within 60 days of referral and conclusion of negotiations*



**Outcome: Efficient administration of the investor education programs and communication of Commission activities to promote effective investor protection**

**Performance Measures – Investor Education and Communications**

In 2013, the Commission developed and implemented a Communications Strategy (the Strategy). The Strategy includes a Communications Matrix which sets out investor education measures and goals. The Strategy is periodically reviewed to determine its effectiveness and how social media coverage can be enhanced to increase the public’s awareness of the Commission and its work to protect the public interest. New audiences are explored and new relationships with stakeholders are built to help us deliver our message as well as respond to feedback.

For 2015, one of the goals in the Strategy is to improve the compliance and registration sections of the Commission’s newly redesigned website by increasing the amount of information that is provided to industry participants. To achieve the Commission’s outreach outcomes, it will host the CEDIF annual conference in the spring of 2015. The event will bring together industry participants, government officials and potential investors to engage in conversations about capital raising in Nova Scotia. To increase awareness for the critical role the enforcement section has to protect investors, Commission staff will develop presentations to give to key stakeholders on the hearing and investigation processes. These outreach strategies will allow the Commission to deliver its messages to stakeholders in an effective and transparent manner.

Chart 11 illustrates the target relating to completing the tasks set out in our Communications Matrix.

*Chart 11: Completion of tasks and objectives outlined in the Communications Matrix for investor education specific goals (a new measure in 2013-2014)*

