



Canadian Securities
Administrators

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Canadian securities regulators issue statement regarding recent media coverage on enforcement in capital markets

Toronto – Over the past week, the Globe and Mail (Globe) has published multiple reports on enforcement in Canada’s capital markets. In response to this recent media commentary, the Canadian Securities Administrators (CSA) today issued the following statement:

The CSA, the council of securities regulators of Canada’s provinces and territories, coordinates and harmonizes regulation for the Canadian capital markets. CSA enforcement teams work to protect the integrity of our capital markets and strive for responsive, collaborative and effective enforcement of securities laws. While the vibrancy, depth and overall health of the Canadian capital markets have been internationally recognized, Canada, like all markets, has criminals who prey on the investing public. We do everything in our power to identify, investigate and prosecute those individuals. We are concerned with how these enforcement efforts have been mischaracterized and wish to highlight some specific issues with the Globe’s coverage:

- 1) Securities regulators do not have statutory authority to pursue criminal offences. In recognition, several securities regulators have strengthened their ability to address misconduct in the capital markets by developing partnerships with law enforcement.
- 2) In order for securities regulators to access tools under the Criminal Code (e.g. power of arrest, ability to execute warrants), police officers must be seconded to securities commissions. More law enforcement resources are always welcome.
- 3) Law enforcement is primarily responsible for investigating financial crime in Canada, and there is a dedicated unit of the RCMP (Integrated Market Enforcement Team) set up for this purpose. Despite the importance of law enforcement and their role in pursuing recidivists, the Globe chose not to seek comment from the RCMP or local law enforcement, nor did it include any statistical data from these agencies.
- 4) Securities regulators work together to address misconduct in Canada’s capital markets, and the Globe was provided with multiple examples of these collaborative efforts. For example, several securities regulators have Statutory Reciprocal Order Provisions, which essentially means that an order issued by one regulator is automatically in effect within all jurisdictions with these provisions. It should be noted that these provisions were introduced specifically to curb inter-provincial/territorial wrongdoing by repeat offenders.

- 5) Securities regulators can and do pursue jail time where they have the authority to do so.
- 6) Courts make decisions about sentencing in criminal matters, not securities regulators.
- 7) The Globe notes that former Bank of Canada governor David Dodge spoke of the “widely held perception that Canadian authorities aren’t tough enough.” This quote was taken from a speech delivered 13 years ago in which the former governor actually said he was encouraged that provincial securities commissions were taking steps to toughen enforcement.
- 8) Securities regulators dedicate significant resources to helping investors protect themselves from fraud. These include local investor education initiatives, national campaigns about avoiding investment fraud, and a National Registration Search tool that investors can use to check whether an individual or firm is registered with provincial securities regulators.
- 9) The Globe has stated that its investigation is based on an analysis of 30 years of data contained in the CSA’s Disciplined List. This database does not contain 30 years of national data. Some securities commissions have uploaded data dating back just over 10 years.

The CSA supports having a national dialogue about what more can be done to deter recidivists, however, that discussion must be based on facts and must involve all participants in the justice system, including law enforcement.

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For more information:

Canadian Securities Administrators Secretariat
(514) 864-9510
csa-acvm-secretariat@acvm-csa.ca