

NOVA SCOTIA SECURITIES COMMISSION

Statement of Mandate

2013 - 2014

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1. Message from the Chair

I am pleased to present the 2013-2014 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 principle 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 performance measures that ensure the effective and efficient use of our resources and encompass our core values of respect, integrity, reliability and accountability.

Investor Protection

In order to carry out our mandate, we oversee the registration of investment and mutual fund dealers and companies and carry out reviews and audits of these registrants to ensure that all regulatory requirements are met. We also monitor the public filings and other activities of Nova Scotia's public companies and work with those companies to ensure proper compliance with Nova Scotia's securities laws. Our registration and compliance goals for the coming year include continuing to achieve a high standard of responsiveness to the applications and filings of our registrants, conducting compliance reviews for a significant and representative group of Nova Scotia's public companies, and ensuring that any deficiencies that are detected are corrected immediately and appropriately.

Where we detect that there has been malfeasance or a serious breach of our securities legislation, the Commission's enforcement branch conducts investigations and brings administrative proceedings against the parties involved. In the course of their investigations, our enforcement staff also work with other law enforcement agencies, both in Nova Scotia and in other jurisdictions. In the coming year, our enforcement branch will continue to ensure that the processing of complaints, investigations and prosecutions are handled in a timely manner and in the public interest. This year, our enforcement staff will also be working towards a closer relationship with the Department of Public Prosecutions in order to ensure that criminal and quasi-criminal prosecutions arising from the breach of Nova Scotia securities laws can be brought forward in an efficient and effective manner.

The Commission's investor protection mandate is also advanced by our investor education programs. These programs use various communication strategies, including the Commission's blog and twitter feed, to reach as many Nova Scotia investors as possible and inform them about responsible investing, fraud alerts and the functioning of our capital market systems, among other topics. We also conduct specific outreach to the province's youth through school programs and seniors groups through various in-person presentations.

Fair and Efficient Capital Markets

Another key focus of the Commission is the maintenance of a stable, secure regulatory environment in Nova Scotia for investors and for those seeking to access our capital markets to finance their business initiatives. In the coming year, we will continue to work cooperatively with new and established Nova Scotia companies that are seeking to raise capital in the public markets to ensure that they do so in an appropriate manner.

Market confidence and stability are enhanced by our compliance and enforcement activities discussed above, as well as our policy development work, which we pursue independently as well as in cooperation and consultation with other Canadian securities regulators. In recent years, together with our counterparts in other Canadian provinces, we have developed streamlined processes for many public company interactions with the Commission under the passport system of mutual reliance, and we continue to seek further improvements to this system.

In the coming year, the Commission will continue to participate in national policy-making through various initiatives of the Canadian Securities Administrators (the “CSA”). A number of significant projects will be pursued in 2013-2014, including an examination of the potential development of a crowdfunding regime in Canada, examining the potential regulation of proxy advisory firms, developing enhancements to the CSA information technology systems, examining the regulatory standard of conduct for investment advisers and dealers, reviewing the regulation of mutual fund fees, continuing the development of improved regulation of securitized products and derivatives, continuing the review of the accredited investor and \$150,000 prospectus exemptions, 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.

Our Team

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

Nova Scotia Securities Commission

2. Department Mandate

The Commission is an independent, quasi-judicial tribunal which works to fulfill 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 of 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 the Community Economic Development Corporations Regulations ("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's 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;
- 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; and
- Ensuring timely and responsible execution of the Commission's core responsibilities.

The Commission's vision is to be an effective and responsive securities regulator that instills investor confidence in and supports fair and efficient capital markets in Nova Scotia.

3. Government Priorities

The Commission provides important contributions to several of the Government's core priorities such as the following:

- a) Get back to balance and ensure Government lives within its means
- b) Make life more affordable and break the cycle of poverty
- c) Create good jobs and grow the economy.

The Commission plays a key role in the Nova Scotia economy, with one of its key roles being 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, strategic planning and programming align with these core priorities.

a. Get back to balance and ensure Government lives within its means

The operations of the Commission contribute fiscally to the Government's priority to get back to balance. According to the Commission's Annual Accountability Report for the Fiscal Year 2011-2012, the Commission had revenues of \$15,193,000 and expenditures of \$2,416,000, thereby generating net revenue to the Province of \$12,777,000.

The Commission operates its programs efficiently and effectively. 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. A number of the Commission's programs are developed and amended in collaboration with other members of the CSA, of which the Commission is a member. This work is accomplished primarily through email and conference calls to ensure the most efficient use of resources.

The Commission's service delivery for the review and consideration of prospectus filings, exemption applications and registration applications is coordinated with other jurisdictions pursuant to a highly efficient 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.

The Commission has a progressive investor education program that relies heavily on cooperation with partners and stakeholders to leverage funds and increase our capacity to reach Nova Scotia investors. Locally, we are active participants in a coalition of police, federal and provincial government agencies and departments, and non-profit groups working to prevent fraud of all types, known as the Partners Against Fraud Committee. 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 the Province, at a fraction of the cost of developing and delivering them on our own.

b. Make life more affordable and break the cycle of poverty

In its role as a regulator, the Commission participates in providing financial education regarding investor rights and expectations. By understanding their rights and expectations, investors can avoid making poor financial choices and improve their financial wellbeing.

The Commission provides this type of education to the general public and focuses particularly on reaching out to two key groups. The first group is students, who can realize a lifelong benefit from their financial choices and the second group is seniors, who as a group are vulnerable to unscrupulous tactics and scams.

c. Create good jobs and grow the economy

The work of the Commission supports an environment where there is confidence that Nova Scotia's capital markets are a good place to raise capital and create jobs, resulting in the growth of Nova Scotia's economy.

The Commission, working with industry stakeholders, assists thousands of Nova Scotians to enter into and participate in fulfilling careers in the investment industry.

The Commission oversees and regulates reporting issuers that raise capital in Nova Scotia to fund their business activities and create and retain high value jobs.

The Commission acts as the principal regulator to one labour sponsored venture capital fund, which currently has investments in ventures such as Origin Biomed Inc., Impath Networks Canada Corp., STI, and Azorus Inc.

To support and grow the economy in Nova Scotia's communities, the Commission reviews the offering documents for CEDIFs prior to the sale of their securities to the public. This review improves the quality of public disclosure of the CEDIFs so investors are better informed to make investments. These CEDIFs continue to contribute to workforce development, environmental sustainability, renewable energy and the growth of local economies in Nova Scotia.

By providing a strong regulatory framework, the Commission promotes confidence in Nova Scotia's capital markets which is integral to small issuers raising capital in the exempt market. Investments in the exempt market provide small businesses with the capital necessary for continued growth and increased employment for Nova Scotians.

4. Performance Measures

The Commission has established a number of performance measures by which we gauge our performance and our responsiveness to the constituencies we serve. On a monthly basis, management 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.

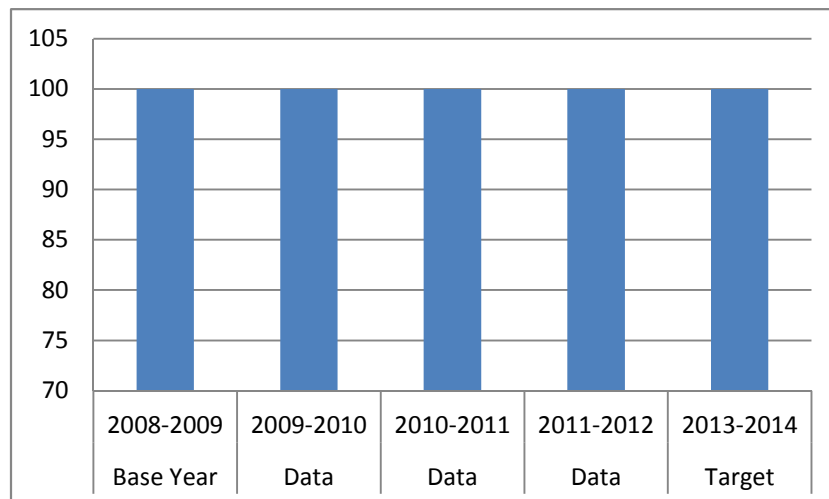
a. Performance Measures – Commission

Outcome: Efficient administration of the Commission’s adjudicative and exemption granting jurisdictions

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

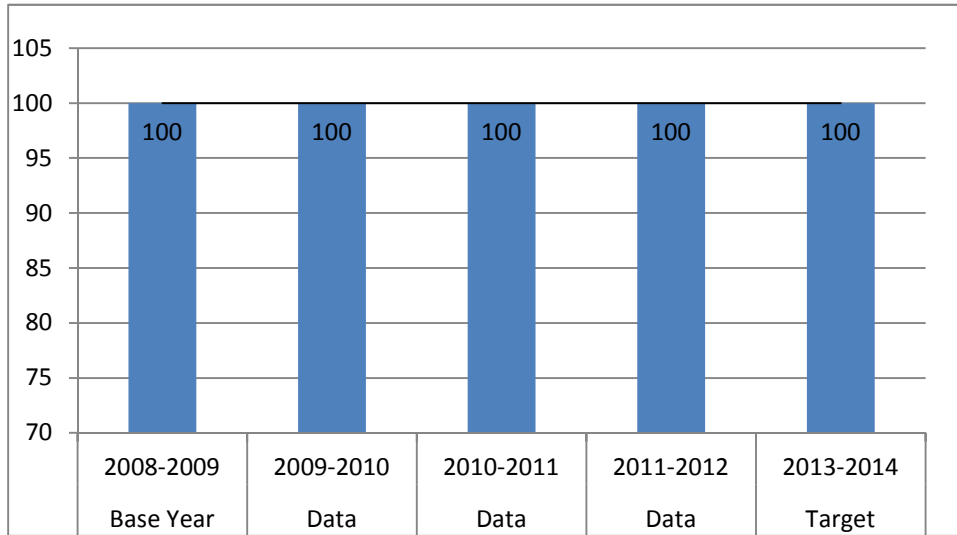
The Commission is also required to enact nationally-harmonized securities regulations efficiently in order to continue the harmonization of securities laws as contemplated in the Provincial/Territorial Memorandum of Understanding on Securities Regulation. In furtherance of this mandate, the Chair meets with the Minister and Department of Finance officials to bring forward legislation efficiently. Below, Chart 1 demonstrates that we have consistently met 100% of our set timelines for such enactments, and we have set a target of 100% again for 2013-14.

Chart 1: Percentage of national and multilateral instruments adopted by the Commission as rules within timelines agreed upon by participating jurisdictions



For the efficient operation of capital markets, applicants require their applications for exemptive relief to be acted on without undue delay; to meet this objective the Commission meets on a weekly basis. Below, Chart 2 demonstrates that we have consistently met 100% of our set timelines for the consideration of such applications, and we have set a target of 100% again for 2013-14.

Chart 2: Percentage of exemption applications considered within 5 business days of filing



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 2013-1014, our goal was to have orders issued in all hearings within 10 business days.

Chart 3 demonstrates that we consistently achieved this objective in the vast majority of cases. In 2010-2011 and 2011-2012, however, we did not meet our targeted outcome, because in those years, the Commission heard a number of matters that were contested, lengthy and complex, for which the 10 day target was not realistically achievable. For 2013-2014, we have 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 3 demonstrates our performance for all hearings prior to 2013-2014, Chart 4 illustrates our new target for settlement hearings, and Chart 5 sets out our new performance target for contested hearings.

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

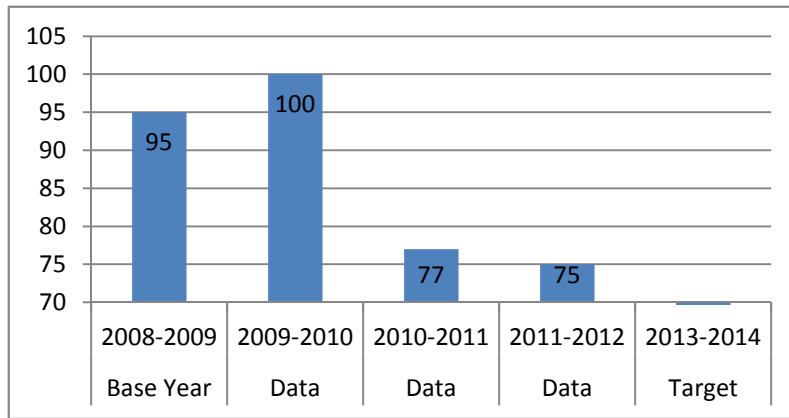


Chart 4: Percentage of orders and decisions made within 10 days of the final submissions from parties following the conclusion of a settlement hearing (a new measure)

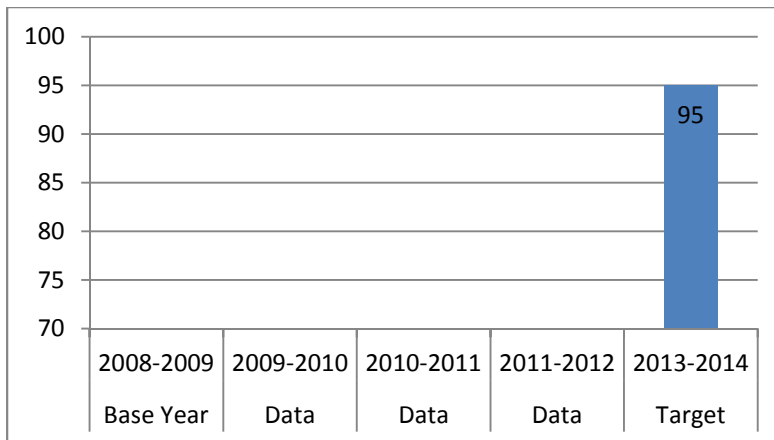
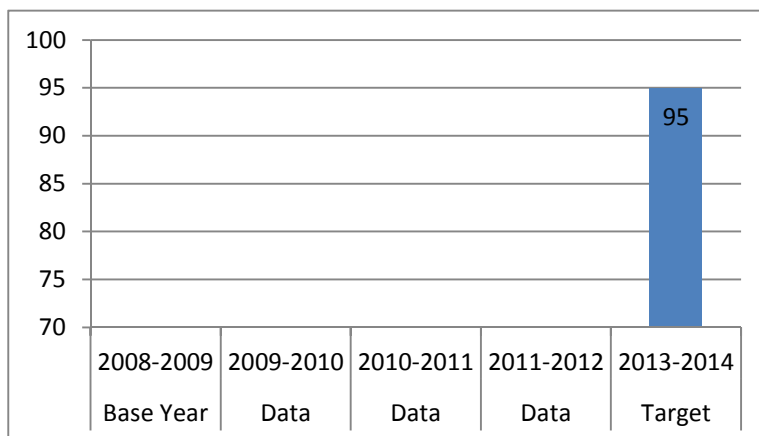


Chart 5: Percentage of orders and decisions made within 90 days of the final submissions from parties following the conclusion of a contested hearing (a new measure)

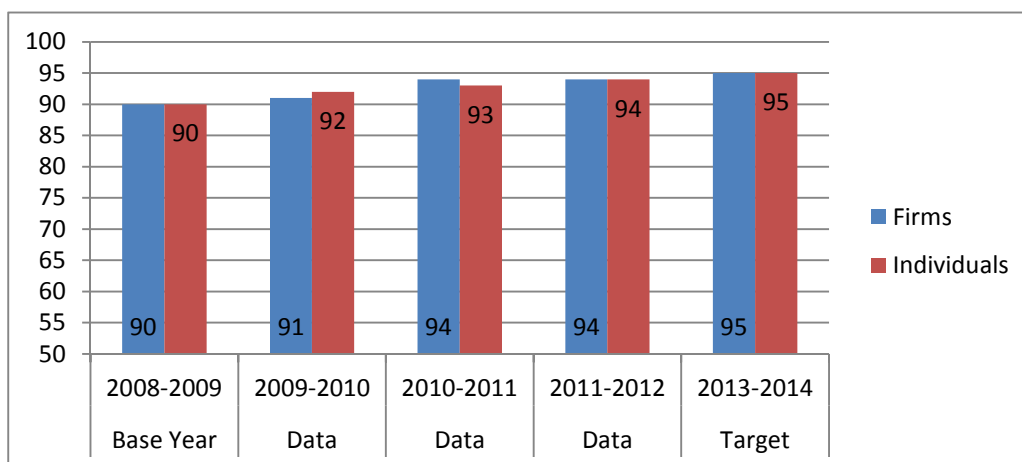


b. Performance Measures – Registration

Outcome: Efficient administration of the registration system

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 6 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 2013-14.

Chart 6: 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



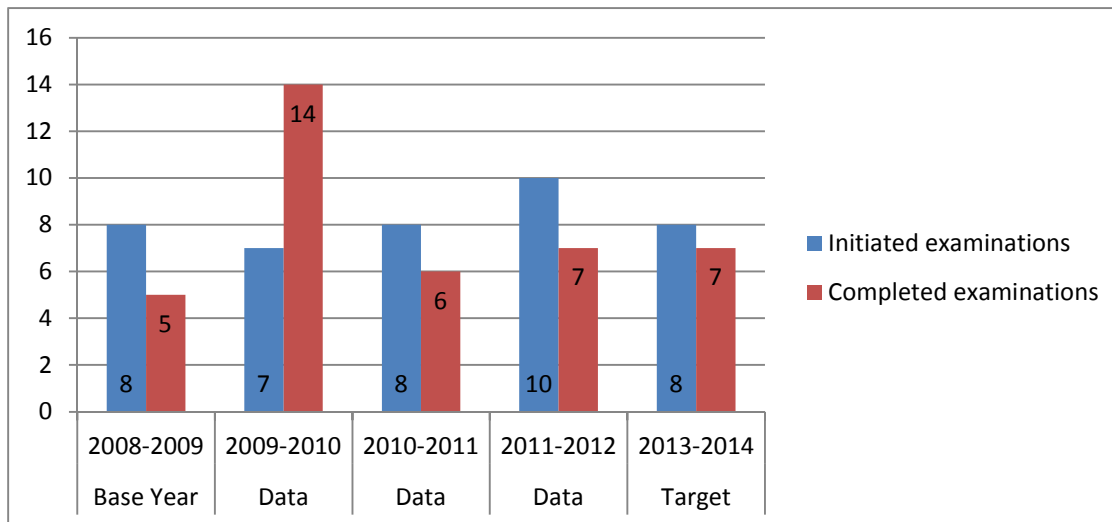
c. Performance Measures – Compliance

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

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. Some compliance reviews are frequently done in collaboration with the CSA Compliance Committee. Below, Chart 7 illustrates the number of field examinations that have been initiated

and completed by the Commission, and our target for 2013-14 of 8 initiated and 7 completed examinations. The target is based on similar CSA jurisdictions.

Chart 7: Initiated and completed field examinations of Nova Scotia registrants (one FTE)



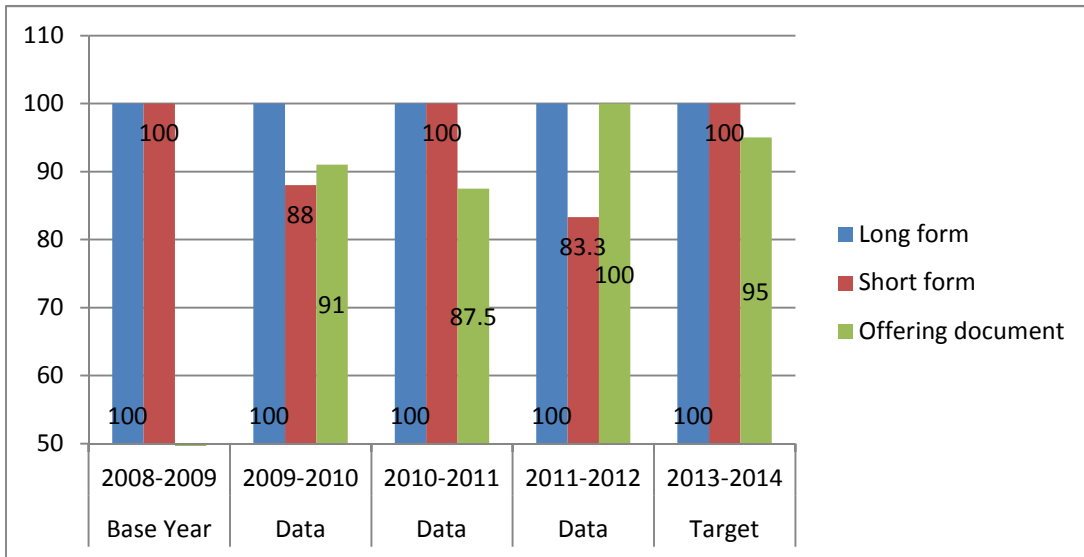
d. Performance Measures – Corporate Finance

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

Due to the quickly changing conditions in the capital markets, issuers wishing to raise capital require an expeditious review of their filings and feedback which will enable them to remedy any disclosure deficiencies promptly so that they may issue their securities. For prospectuses, the disclosure standard is that required by the harmonized rules of the CSA and for other offering documents, the requirements of Nova Scotia securities laws. These activities are monitored daily by the Director of Corporate Finance.

Below, Chart 8 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, and our target for 2013-2014 of 100% for short and long-form prospectuses, and 95% for offering documents. We note that the offering document measure was added in 2009-2010, and that our below-target performance in 2011-2012 was due to a delay caused by an exemptive relief issue in Ontario for one of the six preliminary short form prospectuses filed that year.

Chart 8: 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



Continuous disclosure documents filed by reporting issuers are reviewed by Corporate Finance staff to ensure that the disclosure complies with Nova Scotia securities laws. Some files in the review are also peer reviewed by other CSA jurisdictions to ensure consistency. The progress on these files is reviewed at least monthly by the Director of Corporate Finance. Below, Chart 9 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 mandated timeframes after filing final documents and sets our target of 100% for 2013-2014.

Chart 9: 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

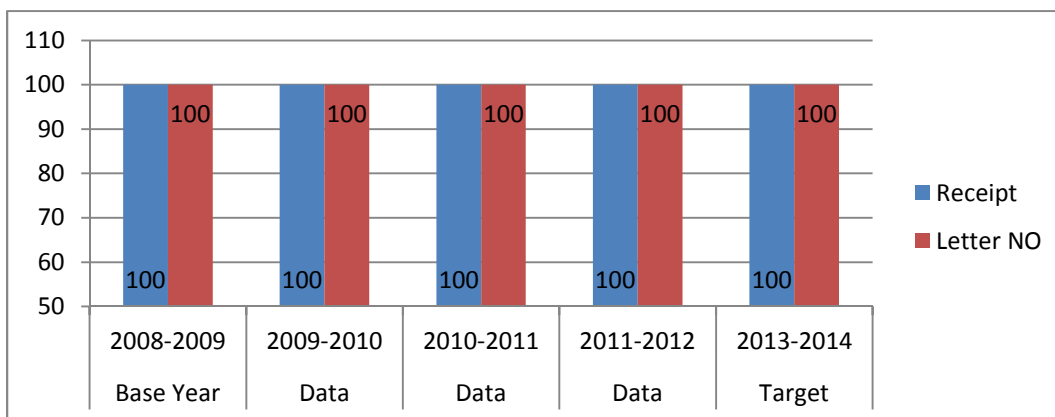
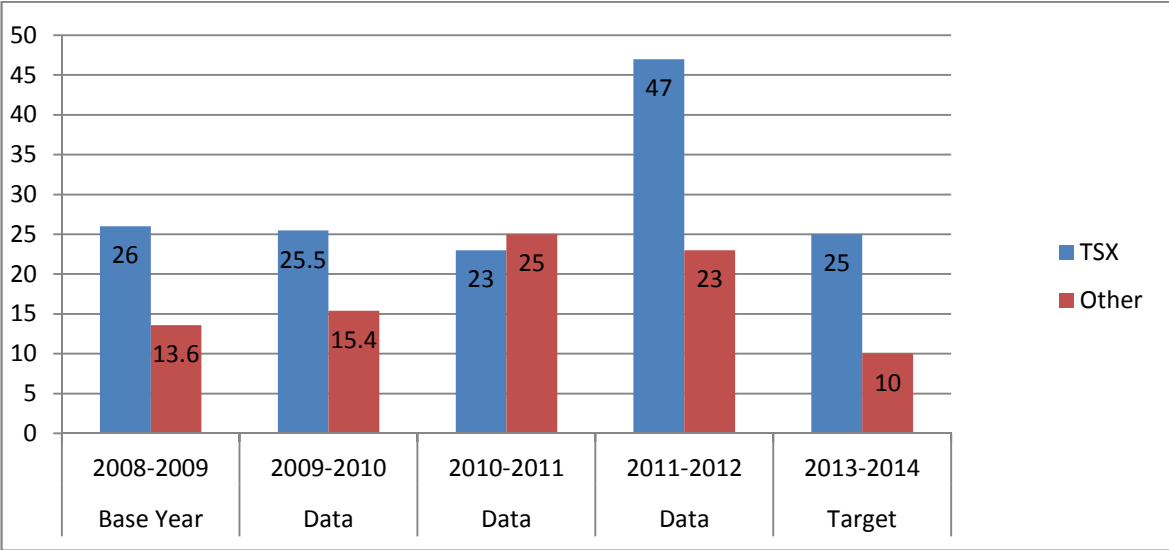


Chart 10 below illustrates the percentage of reporting issuers based in Nova Scotia that had a review of their continuous disclosure filings in the year, broken down into issuers listed on the TSX, and others. The targets in this category are harmonized with other CSA jurisdictions. A higher than usual number of reviews were completed in 2011-12 because in that year, reviews focused on the transition of reporting issuers to International Financial Reporting Standards and were not full file reviews.

Chart 10: Percentage of reporting issuers based in Nova Scotia that had a review of their continuous disclosure filings in the year



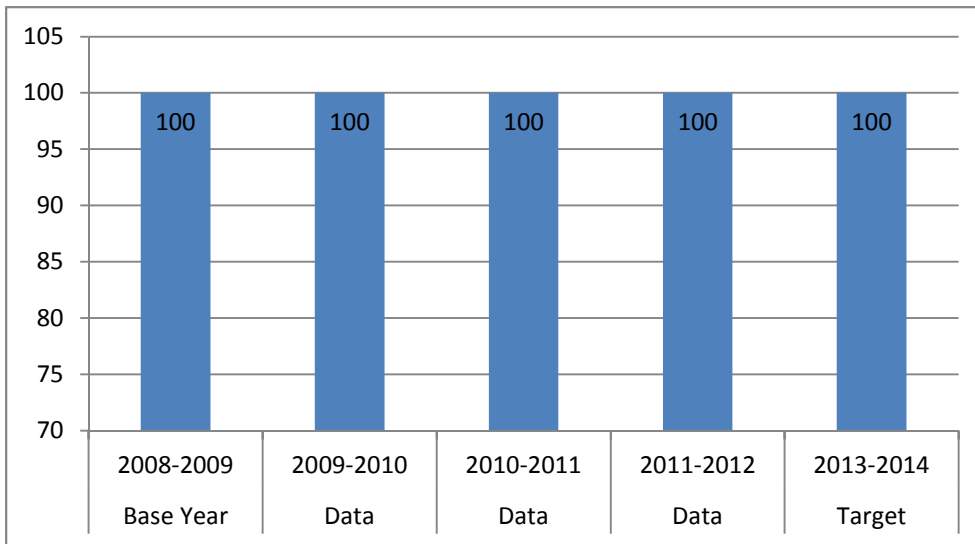
e. Performance Measures – Enforcement

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

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.

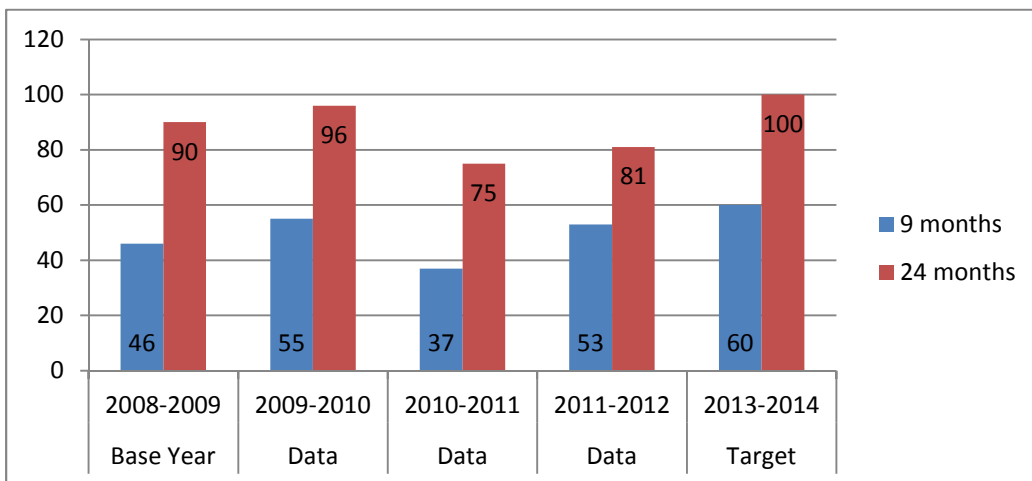
Below, Chart 11 demonstrates that we have consistently met 100% of our target of 3 days from receipt for the review and confirmation of the initial assessment of each complaint, and that we have set a target of 100% again for 2013-14.

Chart 11: 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 12 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.

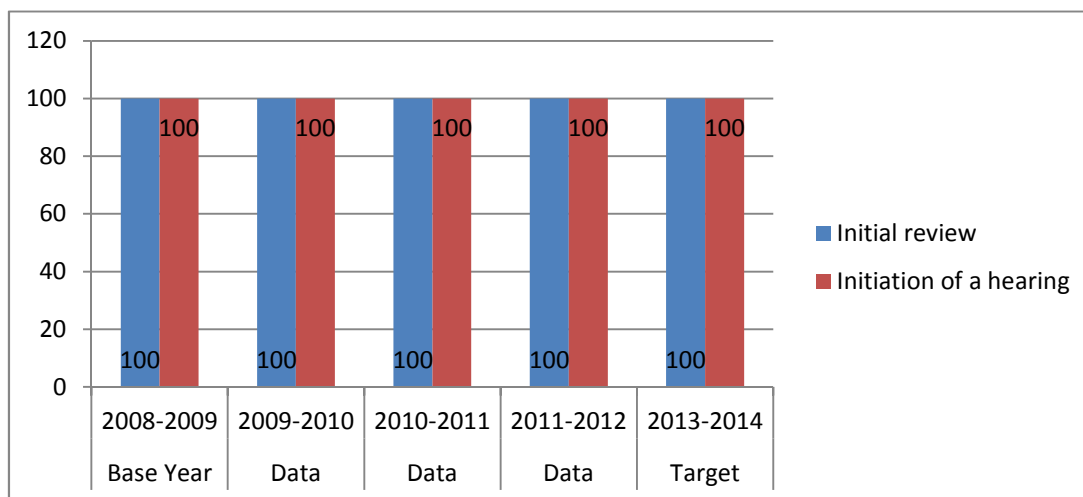
Chart 12: Enforcement staff to conclude investigation and report to Director, Enforcement, on 60% of investigations within 9 months and all investigations within 24 months



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 13 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 2013-14.

Chart 13: 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



f. Performance Measures – Investor Education and Communications

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

In 2013, the Commission will develop and implement a Communications Strategy. The Strategy will include a Communications Matrix which will set out investor education measures and goals. In developing the Strategy, it was determined that the amount of participation in public education events does not necessarily measure the effectiveness of the Commission’s investor education program. Therefore, the public events measure in previous Statements of Mandate has been replaced with a new measure relating to the Communications Matrix.

The Communications Strategy will be 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.

Below, Chart 14 illustrates our achievements and targets with respect to the percentage increase in media coverage of the Commission. We note that the increase seen in 2008-2009 is not indicative of the amount of increased coverage that can be expected on an annual basis going forward. Rather, the increase experienced that year reflected the Commission’s decision to specifically increase its dedication of work resources towards communications. For 2011-2012, the substantial average increase for all media hits resulted from a 166% increase in coverage by in industry publication (the Investment Executive) and continuing coverage of one enforcement matter that has been before the Commission for several years. Accordingly, our targeted increase for 2013-2014 is a 10% increase over the high degree of coverage experienced in 2011-2012. Chart 15 illustrates our new target relating to completing the tasks set out in our Communications Matrix.

Chart 14: Percentage increase in media coverage of the Commission in newspaper articles, radio, television and social media

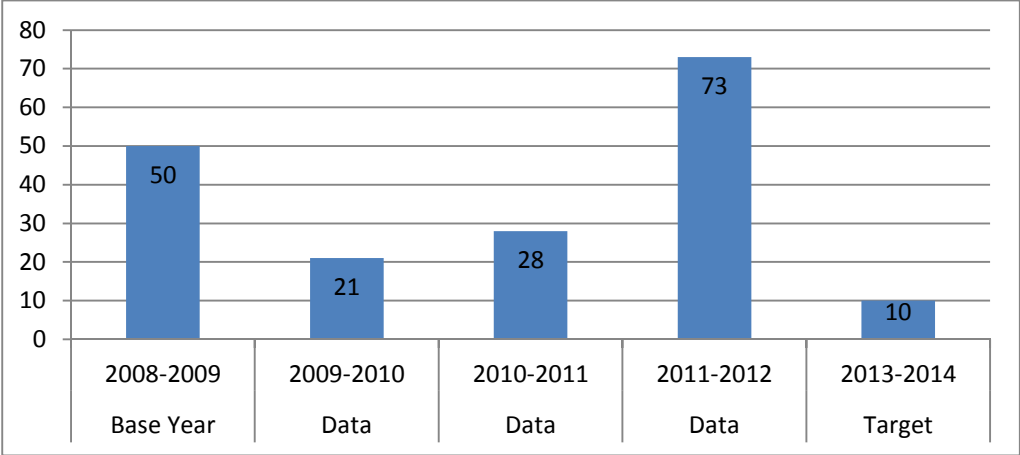
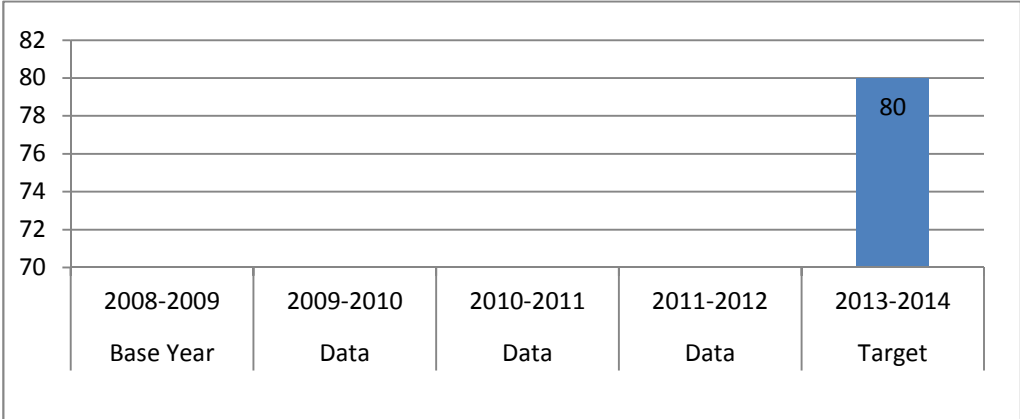
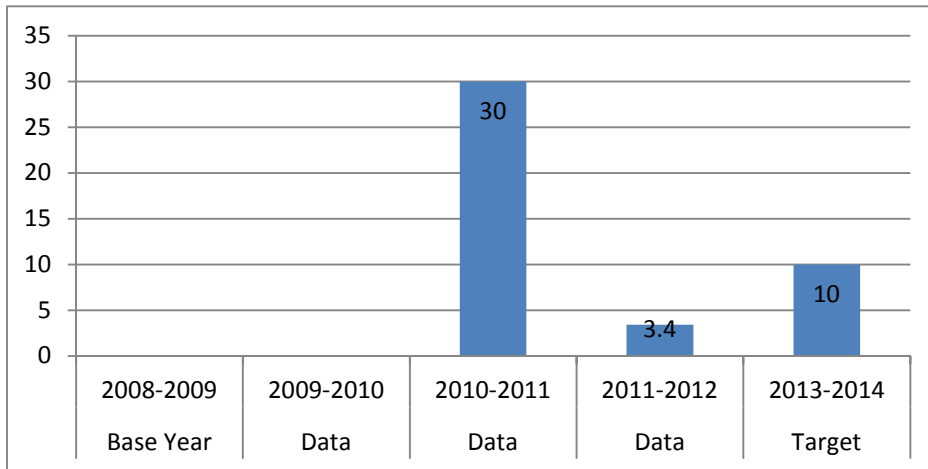


Chart 15: Completion of tasks and objectives outlined in the Communications Matrix for investor education specific goals



Below, Chart 16 illustrates the percentage increase in hits to the Commission’s investor-oriented blog, Before You Invest, and the increase in Twitter followers for the Commission’s B4U Invest Twitter account. This was a new measure introduced in the spring of 2009. In 2009-2010, for the Before You Invest blog, there were 4900 visits and 9561 page views with an average of 13.4 visits per day.

Chart 16: Percentage increase in hits to Before You Invest blog and Twitter followers for B4U Invest Twitter account



5. Budget Context

Nova Scotia Securities Commission			
	2012-2013 Estimate	2012-2013 Forecast	2013-2014 Estimate
	(\$thousands)	(\$thousands)	(\$thousands)
Program Expenses:			
Salaries	1,835	1,888	1,874
Operating Costs	825	772	780
Total Program Expenses	2,660	2,660	2,654
Additional Information:			
Ordinary Revenue	(14,137)	(15,186)	(15,406)
Fees and Other Charges		(116)	
Ordinary Recoveries			
Provincial Funded Staff (FTEs)	20	19.6	19