



SECURITIES COMMISSION

BUSINESS PLAN – 2009 – 2010

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## **Message from the Chairman**

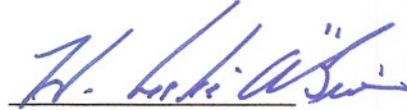
I am pleased to present the 2009-2010 business plan for the Nova Scotia Securities Commission.

The Commission is an independent, quasi-judicial tribunal which works to fulfill the mandate assigned to it under the Nova Scotia Securities Act to provide investor protection and to the extent not inconsistent with an adequate level of investor protection, to foster the process of capital formation.

There are a number of ways in which the Commission fulfills its mandate. The Commission will continue to carry out the timely and responsible execution of its core responsibilities, being the operations of the Commission and the capital markets, corporate finance and compliance and enforcement branches.

The responsibilities include timely review of registration applications and offering documents, targeted compliance reviews of registrants, fair, effective and timely enforcement proceedings, relevant investor education and participation in coordinated policy development with other statutory and self-regulatory organizations.

The Commission will continue to move forward with its initiatives to fulfill its mandate in these times of economic uncertainty.

A handwritten signature in blue ink, appearing to read 'H. Leslie O'Brien', is positioned above the printed name and title.

H. Leslie O'Brien, QC  
Chairman

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## **A. Mission Statement:**

The Nova Scotia Securities Commission (the Commission) is an independent, quasi-judicial tribunal which works to fulfill the mandate assigned to it under the Nova Scotia 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 seeks to foster a capital market in Nova Scotia that is fair and warrants investor confidence in a number of ways. These include:

- ▶ timely and responsible execution of core responsibilities;
- ▶ targeted compliance reviews of registrants;
- ▶ fair, effective and timely enforcement proceedings;
- ▶ relevant investor education; and
- ▶ participation in coordinated policy development with other statutory and self-regulatory organizations.



## **B. Planning Context:**

The Commission, the statutory regulator in Nova Scotia of the securities industry and other capital markets participants, faces significant challenges and opportunities in the 2009/10 financial year.

On the one hand capital markets participants, the registrants and issuers regulated by the Commission, want a reduced regulatory burden: lower fees and greater streamlining of regulatory processes and harmonization of securities legislation applied consistently and fairly. Investors, on the other hand, want regulators to provide effective investor protection: vigilance coupled with quick and effective responses to counter abuse of investors. Finding the golden mean between these competing expectations is the art of effective and efficient securities regulation.

The events in 2008 triggered by the collapse of the sub-prime mortgage market in the U.S. and the general global credit market crisis that ensued highlights how crucial the capital markets are to the functioning of the broader economy. In turn, the importance of fostering confidence in the capital markets by enforcing securities laws is clear. The overriding objectives in enforcement are to provide protection to investors and foster confidence in the capital markets. These objectives take on new importance in these times of economic uncertainty. Investors, industry and government are placing increased demands on the securities regulators, including the Commission, to deliver a rigorous enforcement regime that is effective, collaborative and responsive. Increased responsiveness to changing market conditions, industry dynamics and public concern results in greater resource needs.

A growing and more active investor community expects access to accurate and objective information from many quarters including securities regulators. Providing appropriate and useful investor education programs will cause ongoing challenges and opportunities for the Commission in 2009/10. While the need for investor education cuts across all demographics, we expect to see more focused attention on the needs of the young, the next generation of investors, and those of senior citizens who are often the most vulnerable to abuse and misinformation. New initiatives are required to deliver the messages through alternative and non-conventional media.

The main predictor of the success of any organization is its people. The Commission has been growing steadily for several years, and we expect this trend to continue. As such, the Commission must be able to attract high quality staff to deliver its mandate in accordance with the expectations of its stakeholders: the investing public, registrants, issuers and government.

Fast changing capital markets and regulatory structures will continue to challenge the Commission and require continuation of long standing co-operation among securities



regulators in Canada through the Canadian Securities Administrators (CSA). The CSA is the council of securities regulators of Canada's provinces and territories that co-ordinates and harmonizes regulation of Canadian capital markets. The finalization in 2009/10 of the Passport System of Securities Regulation, as it is known, is likely to have a major impact on the work processes of the Commission and its resource needs going forward. Change means adaptation and the ability to respond to change quickly is another key element of the success of a securities regulator.

The expected introduction by the Fall of 2009 of the new National Instrument 31-103 *Registration Requirements* to harmonize securities rules in the registration system will allow the Commission's Capital Markets branch to focus on individual registrants resident in Nova Scotia and firms based in the Province. The branch operates with a very small staff and this has obvious risks in cases of disruption. However, on the positive side a lean and knowledgeable operation is able to respond quickly to the needs of registrants and the timelines built into the National Registration System and the National Registration Database.

In addition to maintaining a high level of service in the traditional areas of securities regulation, the administration of the registration system and the system for prospectus and continuous disclosure, the Commission will have to prepare for the possible introduction in 2009/10 of the new financial compensation regime that was part of the amendments to the Securities Act contained in Bill 75 that was passed by the Nova Scotia Legislature in December of 2006. While the new regime is on hold because of a constitutional challenge in Manitoba, where it originated, the Commission must be prepared to move quickly to implement the regime when called on. Financial compensation, when it comes, will represent a major new departure for securities regulation, and administering the program successfully will require adding new resources.

The popularity of the Government's Community Economic Development Funds program is expected to continue in 2009/10. We also expect to see further use of the new Capital Pool Companies program as Nova Scotia businesses seek access to venture capital. Our growing Corporate Finance branch will need to continue assisting local issuers seeking to comply with the disclosure standards of these programs.

With most securities trading in secondary markets, the importance of having accurate and complete information disclosed to the markets in a timely way is gaining increased recognition from investors and capital markets participants. Consequently there has been growing recognition of the importance of systematic review of continuous disclosure by securities regulators. Corporate Finance staff will be continuing to enlarge its efforts to review systematically the continuous disclosure of reporting issuers based in Nova Scotia.

With the bolstering in recent years of the Commission's Compliance and Enforcement branch and the current credit market crisis, we anticipate that the Commission will continue to see an increase in the number and complexity of enforcement related hearings



in the year. Coupled with anticipated increases in the number of hearings and reviews of decisions of the recognized self-regulatory organizations, currently the Investment Industry Regulatory Organization of Canada and the Mutual Fund Dealers Association of Canada, the Commission will be called on to discharge its quasi-judicial mandate with the necessary independence and timeliness and for the public interest in appropriately regulated capital markets. In the modern era no area of securities regulation attracts greater public interest and potential for impact on investor confidence than the area of enforcement.

Proactive effective regulation requires an appropriate compliance examination program coordinated with those of the self-regulatory organizations. An effective compliance program can go a long way in promoting a “culture of compliance” in the securities industry in Nova Scotia for the protection of clients and to assist firms to meet their compliance obligations. The program is also an important way to identify problems that may call for regulatory action. In some cases, compliance examinations can bring to light and help nip in the bud serious contraventions of securities legislation. We will continue building on our existing program in 2009/10.

Other issues that will likely engage the attention of the Commission in 2009/10 include:

- ▶ the pressure being felt in most jurisdictions, including Nova Scotia, to separate the administrative and quasi-judicial arms of the Commission;
- ▶ the ongoing national debate for a common or single securities regulator in Canada and its potential to impact on securities regulation;
- ▶ the need to keep pace with innovation in such areas as regulation of hedge funds, asset backed securities and other structured derivatives;
- ▶ the impact of globalization in such areas as the internationalization of accounting standards;
- ▶ the aging of society with greater dependence on investment income to fund retirement;
- ▶ the pressure on the CSA to respond to issues arising out of the credit market crisis;
- ▶ the possible recognition by the Commission of the Canadian Public Accountability Board under an oversight regime; and
- ▶ the risk of adverse consequences arising from expected CSA peer review that may result from the implementation of the Passport System for Securities Regulation where a principal regulator is considered not to have adequate resources to discharge its regulatory obligations.

It is a challenging time for securities regulation on a global basis. With the support of Government, the public and capital markets participants, the Commission is determined to do its part in planning for and providing the investor protection called for under its mandate.



## **C. Strategic Goals:**

The strategic goals of the Commission are to:

1. Continuously deliver fair and firm securities regulation for the benefit of participants in the capital markets of Nova Scotia in accordance with our statutory mandate. We will do this by all available means within our jurisdiction and resources, including through:
  - ▶ vigorous compliance and investor education programs that build awareness of regulatory standards by registrants and of available recourses for aggrieved investors;
  - ▶ enforcement actions that effectively deter wrong doing and respond to enforcement concerns in Nova Scotia and nationally;
  - ▶ continuous disclosure review that promotes best practices by issuers; and
  - ▶ sound administration of capital formation programs such as the Capital Pool Companies program and the Community Economic Development Funds program.
2. Enhance fairness and efficiency in the operations of capital markets, and cost effective regulation, including through further harmonization of securities legislation and implementation of the Passport System for Securities Regulation and other elements of the Provincial/Territorial Memorandum of Understanding for Improving Securities Regulation in Canada.
3. Remain an adaptive and flexible regulatory organization that can recognize and respond quickly to change and thereby foster confidence in the fairness and efficiency of capital markets.

## **D. Core Business Areas**

The Commission has 4 core business areas. These are:

1. The Commission, properly speaking;
2. The Capital Markets branch;
3. The Corporate Finance branch; and
4. The Compliance, Investor Education and Enforcement branch.

### **1. The Commission**

The Commission properly speaking is composed of the up to eight individuals who are appointed by the Governor in Council to serve as commissioners, usually for terms between three and five years. The Commission is accountable to the Government of Nova Scotia through the Minister of Finance. There is a Chair, who is the Chief Executive Officer of the Commission, a Vice Chair and up to six other members.

The Commission has two distinct roles, one regulatory and the other more broadly administrative, and performs several functions in each role.

In its regulatory role, the Commission functions as a policy setting body and as an adjudicative body.

The Commission within the context of the Securities Act establishes the framework for capital markets in Nova Scotia by making rules that have the force of law, and by adopting policies to provide guidelines for market participants, registrants and issuers and their advisers, as to how they are expected to discharge their obligations according to Nova Scotia securities laws. Rules made by the Commission only come into force with the approval of the Minister. The Commission also sets its regulatory priorities and oversees their implementation by staff through the Director of Securities, who is the Chief Administrative Officer of the Commission.

An aspect of the Commission's policy role is to consider applications for exemptions from requirements of Nova Scotia securities laws. The power to grant exemptions on a discretionary basis is vested in the Commission and decisions made by the Commission, in the area of exemption applications, being matters of pure policy discretion are not subject to appeal.

In its adjudicative role, the Chair appoints members or a member of the Commission to serve on an independent panel to hear enforcement matters and to conduct hearings and reviews of decisions made by the Director or recognized self-regulatory organizations. Decisions by a Commission panel in its adjudicative role are subject to appeal to the Nova Scotia Court of Appeal.



In its policy role and functions the Commission is assisted by a staff Analyst. The Analyst also serves as the Commission Secretary under the Securities Act, and in that capacity performs administrative duties in connection with adjudications.

In its administrative role the Commission also encompasses the Director (which term includes any deputy director) and staff. In turn, the Director is responsible for the performance of the regulatory duties vested in the Director by securities legislation or assigned by the Commission to the Director. It is the discharge of these duties that primarily make up the functions of the Commission's three other core business areas. In its administrative role the Commission is also responsible for the proper management of the Commission's affairs and for advising the Government of the day with respect to a range of matters necessary for the proper execution of its mandate, including budgeting, human resources, legislation and planning, internal governance and trends in capital markets that touch upon their regulation.

## **2. The Capital Markets branch**

Securities legislation prohibits any person or company from engaging in any activity involving trading in securities or engaging in the business of advising unless the person or company is registered in accordance with the requirements of securities legislation, the Director is satisfied that the person or company has met the requirements and in the Director's opinion is suitable for registration and the registration is not objectionable.

The Capital Markets branch is responsible for the day to day administration of the registration system under securities legislation. The registration system refers to the system of rules, broadly speaking, that apply to the registration of firms and their individual representatives that are required to be registered by Nova Scotia securities laws. The registered firms number approximately 200 dealers that are in the business of trading in securities for their clients in Nova Scotia, and 160 advisers that are in the business of giving investment advice and, in most cases, managing their clients' investments. In total these dealer and adviser firms employ more than 8,500 individuals who are registered in such categories as sales representatives, trading officers and individual counseling officers to act on behalf of the firms that employ them.

Firms must file information in or with their application that demonstrates that they are adequately capitalized and insured to properly discharge their financial liabilities to their clients, that they have the management skills and resources to conduct their business prudently and to properly supervise their representatives and to mitigate the risks of non-compliance with regulatory requirements. Individual representatives of registered firms whether acting as officers, trading or counseling as the case may be, and sales representatives must demonstrate to the satisfaction of the Director that they possess the prescribed proficiencies and other qualities to deal with the firm's clients honestly, fairly and in good faith.

The Commission employs a Deputy Director Capital Markets, who is assisted by a part time clerical staff member, to review and process registration applications. Applications



by individuals for registration are submitted and processed through the National Registration Database, a web based system developed for the CSA, that allows applications and related fees to be submitted and processed efficiently in all provinces and territories.

The Capital Markets branch also works with our Compliance, Investor Education and Enforcement branch where it identifies compliance deficiencies by registrants.

The Director and Deputy Director Capital Markets participate on a number of CSA committees that are active in the area of the registration system in Canada and its ongoing reform. The registration system is currently undergoing the most comprehensive reform since the inception of the securities regulatory system in Canada more than 80 years ago. The Registration Reform Project, as it is known, is expected to finalize National Instrument 31-103 *Registration Requirements* for implementation in the Fall of 2009 by all provinces and territories in Canada. The Instrument will introduce a national set of registration requirements to replace the 13 currently in place for registrants in all categories, including for the first time a regime for registration of investment fund managers. This new system is expected to introduce greater efficiencies for registrants, primarily by streamlining categories of registration and establishing a uniform compliance framework for supervisory purposes, while also enhancing regulatory efficiency and investor protection.

### **3. The Corporate Finance branch**

Initially the distribution of publicly traded securities, including investment funds, in Nova Scotia is required to be made by prospectus that is required to be filed with the Director and is reviewed by staff for compliance with Nova Scotia securities laws. When the Director is satisfied that the prospectus meets all of the applicable requirements of securities legislation the Director is required to issue a receipt for the prospectus unless it appears to the Director that it is not in the public interest to do so.

Upon obtaining a receipt for a prospectus filed pursuant to securities legislation the issuer becomes a reporting issuer and is required to make periodic disclosure of its business and affairs and material changes as required by securities legislation. It is this periodic disclosure that is known as the Continuous Disclosure system. The material that is required to be filed pursuant to this system of rules includes financial statements, audited and unaudited, proxy materials, press releases and material change reports.

The Corporate Finance branch is responsible for the day to day administration of the Prospectus and Continuous Disclosure system (the P&CD system) under securities legislation. The P&CD system refers to the system of disclosure rules, again broadly speaking, that apply to the initial distribution and subsequent trades of publicly traded securities by or on behalf of domestic and foreign issuers in Canada. The objective of the system is to ensure that issuers inform capital markets fully, truly and plainly of all



material facts and material changes that pertain to the business, operations and capital of the issuer known to its management and to do so accurately and in a timely manner.

The Corporate Finance branch in addition to doing prospectus reviews, also reviews continuous disclosure materials filed by the approximately 50 reporting issuers that are based in Nova Scotia for compliance with applicable securities requirements. The purposes of compliance reviews in the area of continuous disclosure is to identify and correct disclosure deficiencies and where appropriate refer matters suggestive of non-compliance with securities laws to the Compliance and Enforcement branch for further examination, investigation or other action if warranted.

Staff in Corporate Finance also:

- ▶ monitor the use of the capital raising exemptions under National Instrument 45-106;
- ▶ review, where required, rights offering and take over bid circulars filed pursuant to securities legislation;
- ▶ review local offering documents filed pursuant to the Community Economic-Development Corporations Regulations (CEDCR);
- ▶ review applications for discretionary exemptions under a variety of national instruments developed by the CSA and adopted as rules by the Commission.

The Commission currently employs five staff members in the area of Corporate Finance, including the Director of Corporate Finance, three Financial Analysts and a clerical staff member. At the beginning of the 2009/10 fiscal year, the position of the Director, Corporate Finance was vacant.

Staff in Corporate Finance participate in a number of CSA committees dealing with a range of issues including prospectus requirements, continuous disclosure requirements and review, accounting related matters pertaining to publicly traded securities of reporting issuers and amendments to existing legislation to implement the requirement for reporting issuers to convert to International Financial Reporting Standards effective January 1, 2011.

As with the Capital Markets branch, the P&CD system is undergoing significant change with the introduction of phase 2 of the Passport System for Securities Regulation. The Passport System and its predecessors aim at harmonizing and streamlining prospectus and continuous disclosure requirements for issuers, including investment funds, whose securities are publicly traded in more than one Canadian jurisdiction. Many of these requirements, local and national, relating to prospectuses have been consolidated in National Instrument 41-101 *Prospectus Disclosure Requirements*, which came into force in March 2008.



#### **4. The Compliance, Investor Education and Enforcement branch**

This is the largest and most diverse branch of the Commission, in that it has three distinct but related sections. Currently, the Commission employs ten staff members in these areas, including the Deputy Director Compliance and Enforcement, three investigators, two enforcement counsel, a compliance officer, an investor education officer and two support staff.

The Compliance section identifies non-compliance with Nova Scotia securities laws by undertaking compliance reviews and audits of dealers and advisers registered in Nova Scotia and having a business office or offices in the Province. The section operates with a full time compliance examiner, which will allow the section to increase the number of audits and reviews performed annually and hence improve the Commission's goal of promoting a "culture of compliance" amongst registrants in Nova Scotia.

In 2008, for the first time, the Commission employed a full time staff member to develop and deliver an investor education program for the public. It is expected that the new program, by raising the level of awareness of relevant issues and concerns by investors, particularly among less sophisticated and more vulnerable investors, will thereby help investors to better protect themselves when getting involved with the investment process. In an age where increasingly Nova Scotians must save and invest outside defined benefit pension plans to provide for their retirement, this aspect of investor protection becomes increasingly important.

The Enforcement section aims at protecting investors by deterring conduct that contravenes securities legislation or needs to be deterred for the public interest in fair and efficient capital markets that enjoy investor confidence. The section receives and assesses information from a variety of sources including complaints, to determine if an investigation is warranted using a risk based approach of relevant factors. Where, in the opinion of staff, an enforcement proceeding, whether in the form of an administrative hearing before a Commission panel or a prosecution in provincial court, is called for, enforcement counsel has carriage of the hearing or, with the consent of the Attorney General, the prosecution of the alleged offence in provincial court.

The branch also refers to criminal law enforcement agencies matters that appear to involve criminal activity, such as criminal fraud that may give rise to prosecutions under the Criminal Code of Canada or other Federal statutes.

The Enforcement branch works closely with securities regulators and self-regulatory organizations in other jurisdictions. Information is shared and assistance to other regulators is provided on a reciprocal basis in the fight against abusive and other unacceptable market behaviors. Matters requiring investigation by other regulators or self-regulators are referred to them for appropriate action and the results are monitored.

Similarly, the Enforcement branch receives referrals from other statutory or self-regulators involving suspicious behavior by entities and individuals based in Nova Scotia that may require investigation and possible enforcement proceedings by the staff of the Commission.

In addition, in 2008/09, the Deputy Director Compliance and Enforcement chaired the CSA's Enforcement Committee and earlier participated in the work of the Securities Fraud Enforcement Group that was formed at the initiative of the federal and provincial justice ministers to develop recommendations to improve the enforcement of laws against securities fraud in Canada. It is expected that the branch will continue to be engaged in the ongoing battle to deter serious economic crime in Nova Scotia.



## E. Priorities for 2009/10

### Core Area 1 - The Commission

The Commission's priority will be to continue nurturing the growing securities regulatory system set in motion by the Provincial/Territorial MOU Regarding Securities Regulation adopted in 2004 by all the provinces and territories, with the exception of Ontario, in a way that achieves its mandate for investor protection and efficient operation of capital markets. This will be done through:

- ▶ completing the implementation of Phase 2 of the Passport System for Securities Regulation;
- ▶ building on the harmonization and streamlining efforts made by the CSA to date;
- ▶ building on the work done to date to improve regulatory enforcement of securities laws by ensuring that the adjudicative role of the Commission continues to be discharged in a fair but firm and timely manner; and
- ▶ monitoring the performance of core areas to ensure that the programs and regulatory priorities of the Commission are discharged fairly, effectively and in a timely manner by the Commission and staff.

| Core Business Area: The Commission  |  |   |                     |   |
|---|--|---|---------------------|---|
| Outcome   | Measure  | Data<br>Base Year<br>2008-2009  | Target<br>2009-2010 | Strategies to<br>Achieve<br>Target  |
| Improving the framework of securities regulation in Nova Scotia, and ensuring the efficient administration of its adjudicative and exemption granting jurisdictions | Implement the second phase of the Passport System for Securities Regulation for registration on the agreed timelines   | The target date was changed from December 31, 2008 to coordinate with the enactment of the necessary legislation in Ontario | September 30, 2009  | The Chairman and the Director will monitor                                |
|   | Percentage of national/multilateral instruments adopted as rules within set timelines to continue the harmonization of | To be determined  | 100%                | Commission Secretary ensures timely adoption of rules. Also, the Chairman |



|  |   |                  |     |  |
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|  | securities laws as contemplated in the Provincial/Territorial MOU on Securities Regulation  |                  |     | will meet with the Minister and Department officials to bring forward legislation in a timely manner |
|  | Percentage of exemption applications considered within 5 business days of filing  | To be determined | 95% | Commission Secretary to monitor  |
|  | Percentage of orders made within 10 business days of the final submissions from the parties following the conclusion of a hearing | To be determined | 95% | Commission Secretary to monitor  |
|  |   |                  |     |  |

### **Core Area 2 - Capital Markets branch**

The priority of the Capital Markets branch will be maintaining effective and efficient administration of the registration system in Nova Scotia. This will be achieved by:

- ▶ implementation of the new registration system in National Instrument 31-103 *Registration Requirements* when it comes into force, which is expected to happen in the Fall of 2009;
- ▶ being an effective and efficient principal regulator under Phase 2 of the Passport System for Registration, which will be implemented simultaneously with National Instrument 31-103 *Registration Requirements*; and
- ▶ participating in the work of the Registrant Regulation Committee of the CSA.

| Core Business Area: Capital Markets  |   |                          |                  |   |
|--|---|--------------------------|------------------|---|
| Outcome  | Measure   | Data Base Year 2008-2009 | Target 2009-2010 | Strategies to Achieve Target  |
| Improve the level of efficiency in the administration of the registration system | Percentage of firm applicants, where the Commission was the principal regulator, that had their applications processed within 45 days of the final submission of necessary documents      | To be determined         | 90%              | Staff will submit monthly activity reports to the Director indicating whether the target is being met and advising strategies to deal with any slowdown |
|  | Percentage of individual applicants, where the Commission was the principal regulator, that had their applications processed within 7 days of the final submission of necessary documents | To be determined         | 90%              | Staff will submit monthly activity reports to the Director indicating whether the target is being met and advising strategies to deal with any slowdown |
|  |   |                          |                  |   |



### **Core Area 3 - Corporate Finance branch**

The priority of the Corporate Finance branch will be maintaining effective and efficient administration of the P&CD system in Nova Scotia. This will be achieved by:

- ▶ implementation of National Instrument 41-101 *Prospectus Disclosure Requirements*;
- ▶ being an effective and efficient principal regulator under Phase 2 of the Passport System for Prospectus and Continuous Disclosure;
- ▶ conducting an effective and efficient Continuous Disclosure Review Program for Nova Scotia based reporting issuers;
- ▶ performing timely reviews of offering documents under the CEDCR program and other kinds of offering documents as required; and
- ▶ participating in the Prospectus, Continuous Disclosure and Accounting Committees of the CSA.

| <b>Core Business Area: Corporate Finance</b>   |  |                                  |                         |  |
|--|--|----------------------------------|-------------------------|--|
| <b>Outcome</b>   | <b>Measure</b>   | <b>Data Base Year 2008 -2009</b> | <b>Target 2009-2010</b> | <b>Strategies to Achieve Target</b>  |
| Improve the administration of the corporate finance disclosure system in Nova Scotia | Percentage of issuers based in Nova Scotia who have received a first comment letter in their preliminary long form prospectus within 10 business days of filing the preliminary long form prospectus | To be determined                 | 95%                     | Staff will report monthly to the Director indicating whether the target is on track to be met and if not what strategy is necessary to meet the target |
|  | Percentage of issuers based in Nova Scotia who have received a first comment letter  | To be determined                 | 95%                     | Staff will report monthly to the Director indicating whether the target is on  |

|  |   |                  |   |  |
|--|---|------------------|---|--|
|  | on their preliminary short form prospectus within 3 business days of filing the preliminary short form prospectus                                     |                  |   | track to be met and if not what strategy is necessary to meet the target   |
|  | Percentage of issuers based in Nova Scotia who have received the receipt for a prospectus within one business day after the filing of final documents | To be determined | 95%   | Staff will report monthly to the Director indicating whether the target is on track to be met and if not what strategy is necessary to meet the target |
|  | Percentage of reporting issuers based in Nova Scotia that have had a review of their continuous disclosure filings in the year                        | To be determined | 25% of average capitalization of large issuers.<br><br>10% of the number of other issuers | Staff will report monthly to the Director indicating whether the target is on track to be met and if not what strategy is necessary to meet the target |
|  | Percentage of issuers who have received a first comment letter on their offering document within 10 business days of filing their offering document   | To be determined | 95%   | Staff will report monthly to the Director indicating whether the target is on track to be met and if not what strategy is necessary to meet the target |



|  |   |                     |     |  |
|--|---|---------------------|-----|--|
|  | under the<br>CEDCR<br>Program   |                     |     |  |
|  | Percentage of<br>issuers who<br>have received<br>the letter of<br>non-objection<br>within two<br>business days<br>of filing of<br>final<br>documents<br>under the<br>CEDCR<br>program | To be<br>determined | 95% | Staff will<br>report monthly<br>to the Director<br>indicating<br>whether the<br>target is on<br>track to be met<br>and if not what<br>strategy is<br>necessary to<br>meet the target |
|  |   |                     |     |  |

#### **Core Area 4 - Enforcement, Compliance and Investor Education branch**

The priorities of the Enforcement, Compliance and Investor Education branch will be to continue building strong and timely programs in the areas of compliance and enforcement that deter undesirable behaviors in capital markets and provide effective investor protection. Priority will also be given to investor education aimed at cultivating public awareness to help investors help themselves by recognizing questionable products and practices. These priorities will be achieved by:

- ▶ increasing the number of compliance reviews of dealer and adviser branches throughout Nova Scotia to correct deficiencies in compliance with ongoing registration requirements and ensuring that business practices and procedures create a safe environment for meeting clients investment needs and objectives;
- ▶ detecting and disrupting market practices and misconduct that pose a danger to the investing public and bring more cases for prosecution by the Crown and administrative action by the Commission;
- ▶ developing and implementing an investor education program aimed at raising the understanding of sound investment practices by Nova Scotia residents especially among the most vulnerable: youth, immigrants and senior citizens;
- ▶ co-operating effectively with other securities regulators, self-regulators and law enforcement agencies to achieve our common mandate to detect and deter criminal and other forms of improper market behaviors, and



- participating in the work of the Enforcement Committee of the CSA.

| Core Business Area: Compliance, Investor Education and Enforcement  |   |                          |                  |   |
|---|---|--------------------------|------------------|---|
| Outcome   | Measure   | Data Base Year 2008-2009 | Target 2009-2010 | Strategies to Achieve Target  |
| Improve the efficiency of the programs in compliance and enforcement to deter undesirable behavior in capital markets and provide effective investor protection | <u>Compliance</u>   |                          |                  |   |
|   | a) To initiate six field examinations of Nova Scotia registrants per calendar year.   | To be determined         | 8                | Staff will submit a compliance review plan to the Director at the beginning of the year and report monthly indicating whether the target is on track to be met or advising strategies to deal with any slow down. |
|   | b) To conclude six field examinations of Nova Scotia registrants per calendar year. To respond to compliance complaints and report or refer to enforcement as appropriate within 10 days. | To be determined         | 8                |   |
|   |   |                          |                  |   |
|   | <u>Complaints and Investigations</u>  |                          |                  |   |
|   | a) Enforcement staff to refer to Deputy Director, Compliance and Enforcement for review and confirmation of initial assessment of each complaint within 3 days of receipt of complaint.   | To be determined         | 100%             | Staff will submit a compliance review plan to the Director at the beginning of the year and report monthly indicating whether the target is on track to be met or advising strategies to deal with any slow down. |
|   | b) Enforcement  | To be                    | 60%              |   |



|  |  |  |                                      |   |
|--|--|--|--------------------------------------|---|
|  | staff to conclude investigation and report to Deputy Director, Compliance and Enforcement, on 60% of investigations within nine months. To conclude investigation and report on all investigations within twenty-four months.  | determined   |                                      |   |
|  |  |  |                                      |   |
|  | <u>Litigation</u><br><br>a) Enforcement Counsel to complete initial review of investigation files referred to Counsel and provide written response within 30 days.<br><br>b) Enforcement Counsel to issue a Statement of Allegations and Notice of Hearing within 60 days of referral and conclusion of negotiations.<br><br>c) Enforcement Counsel to issue Notice of Hearing and Statement of Allegations in an interim cease trade order within 3 days of referral. | To be determined<br><br><br>To be determined<br><br><br>To be determined | 100%<br><br><br>100%<br><br><br>100% | Staff will submit a compliance review plan to the Director at the beginning of the year and report monthly indicating whether the target is on track to be met or advising strategies to deal with any slow down. |

|  |   |   |   |  |
|--|---|---|---|--|
|  | <p><u>Investor Education</u></p> <p>Review the previous year's program files to establish a baseline, and work to increase public contacts and dissemination of information, including:</p> <p>a) 10% increase in participation in the Financial Fitness Challenge (CSA contest for students between the ages of 15 and 21, with a \$750 prize in each province);</p> <p>b) 10% increase in distribution of CSA brochures;</p> <p>c) 20% increase in media hits – newspaper articles, radio and television ads.</p> <p>d) Develop and print a Nova Scotia specific brochure, detailing the Commission and what we do, and distribute minimum of 1500 to the Nova Scotia public.</p> <p>e) Attend a minimum of 12 public education</p> | <p>To be determined</p> <p>To be determined</p> <p>To be determined</p> <p>To be determined</p> <p>To be determined</p> | <p>a) 680</p> <p>b) 1350</p> <p>c) 30</p> <p>Rebrand CSA brochures for NS</p> <p>12</p> |  |
|--|---|---|---|--|



|  |  |                         |                           |  |
|--|--|-------------------------|---------------------------|--|
|  | <p>events, such as Fall &amp; Spring Home Shows, Seniors Expo and Family Expo.</p> <p>f) Develop new Nova Scotia specific education programs, and plan to deliver CSA Investor Education programs and messages (as outlined in CSA Investor Education Committee's strategic plan) to the appropriate sectors in Nova Scotia's capital markets.</p> | <p>To be determined</p> | <p>New partnerships 4</p> |  |
|--|--|-------------------------|---------------------------|--|

## **F. Human Resource Strategy**

Staff employees of the Commission are included in the broader public service by virtue of being employed pursuant to the provisions of the Securities Act. They are civil servants and are included in the Corporate Human Resource Plan.

The Commission expects to employ additional staff in the area of enforcement and compliance and anticipates a need to provide specific training for new staff using in addition to in-house resources, the training offered through the North American Securities Administrators Association and the CSA.

The CSA will also be continuing and revamping staff training in all jurisdictions, including Nova Scotia, to ensure that harmonized securities laws and the Passport System for Securities Regulation are administered consistently and harmoniously.

Commission members are appointed by the Governor in Council and are not considered persons employed by the Commission under the Securities Act.



## G. Budget Context

Budget Context Chart

| Nova Scotia Securities Commission     |                       |                     |                       |
|---------------------------------------|-----------------------|---------------------|-----------------------|
|                                       | 2008-2009<br>Estimate | 2008-2009<br>Actual | 2009-2010<br>Estimate |
|                                       | (\$thousands)         | (\$thousands)       | (\$thousands)         |
| <b>Program Expense:</b>               |                       |                     |                       |
| Salaries                              | 1,537                 | 1,340               | 1,741                 |
| Operating Costs                       | 1,001                 | 737                 | 722                   |
| <b>Total Program Expense</b>          | <b>2,538</b>          | <b>2,077</b>        | <b>2,463</b>          |
|                                       |                       |                     |                       |
| <b>Additional Information:</b>        |                       |                     |                       |
| Ordinary Revenue                      | (10,770)              | (11,911)            | (10,300)              |
| <b>Fees and Other Charges</b>         |                       | (6)                 |                       |
| <b>Ordinary Recoveries</b>            |                       | (3)                 |                       |
|                                       |                       |                     |                       |
| <b>Provincial Funded Staff (FTEs)</b> | <b>20</b>             | <b>17.5</b>         | <b>21</b>             |