



# 2017/18 ENFORCEMENT REPORT

Securities Enforcement in a Connected World





**THE CSA IS AN UMBRELLA ORGANIZATION OF 10 PROVINCIAL AND THREE TERRITORIAL SECURITIES REGULATORS IN CANADA COMMITTED TO CONNECTING THE IDEAS, INFORMATION AND EXPERTISE NECESSARY TO SAFEGUARD CANADIAN INVESTORS. THIS ENFORCEMENT REPORT OUTLINES OUR 2017/18 EFFORTS TO BRING THAT COMMITMENT TO LIFE.**



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# In this age of digital transformation and global exchange of information, investors can stay connected like never before. So can fraudsters.

As the pace of the information age advances, so does the resolve of the Canadian Securities Administrators (CSA) to strengthen its own connections – with regulatory peers, global enforcement partners and each other – in order to focus on its core mission:

- Protecting investors from unfair, improper or fraudulent practices
- Promoting fair, efficient and transparent capital markets
- Streamlining regulatory process for all securities industry stakeholders



# Message from the Chair

It's old news that technology and fintech are changing global financial markets. What really influences securities enforcement is the pace at which change happens and the truly borderless dynamic of business today.

## EFFECTIVE ENFORCEMENT IS MORE THAN NUMBERS

One aspect of reporting on securities enforcement in Canada involves numbers: the number of cases opened and concluded, how much money was involved, the penalties imposed and more. This is an important way for us, the CSA, to hold ourselves accountable internally, to the industry we work in and to the public we protect. But it should not be the only way.

As with all types of enforcement reports, it is not an easy exercise to draw the right conclusions from the numbers themselves. Did we pursue more cases because more were reported, or were we better resourced and prepared? Or is it a combination of both? Is another number down because we took on larger cases or because our past endeavours led to better compliance in the securities ecosystem? These are not simple conclusions to make, and we have to resist the temptation to accept a quick, simple answer that may lead us down the wrong path.

Neither the answers to these questions nor our work is the stuff of 280 characters. The deterrent effects of our

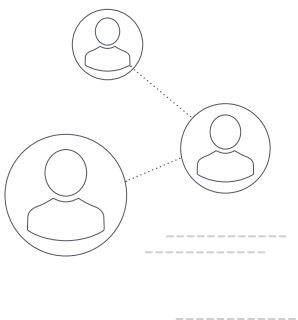
actions have been and will continue to be achieved through hundreds of actions leading to market bans, stopping unauthorized solicitations, account freezes, cease-trade orders, reimbursement of victims, public alerts, quasi-criminal prosecutions and jail terms obtained by CSA members or arising out of collaboration with other enforcement organizations.

The legislation and policies that guide us, changing technology and our own ability to be both proactive and reactive all contribute to ensuring that our capital markets work fairly and efficiently.

So while one may wish to take a statistic or two from this report and draw a conclusion, that is not what the main takeaway should be.

## ENFORCEMENT IS A STORY OF CONNECTIONS

The work put into investigating a complaint or identifying errant behaviour can take time. It can be a local effort or cross many borders and may require the support of multiple securities commissions, self-regulatory bodies and law enforcement agencies.



**THIS YEAR'S REPORT IS BUT ONE REPRESENTATION OF HOW WE ARE DELIVERING FOR INVESTORS. WE ARE NIMBLE AND CREATIVE IN OUR APPROACH TO TACKLE THE "GREY" ISSUES OF TODAY. THIS IS WHAT OUR STAKEHOLDERS EXPECT FROM US.**



## Message from the Chair (continued)

Decisions about how to investigate and interpret different situations are highly nuanced and require enforcement staff who are experienced, trained, thoughtful and beyond all else, dedicated to protecting the investors whose real stories motivate us every day.

That said, CSA members have a robust toolkit to address harm and wrongdoing. This starts with proven legislation, policies and regulations. And the collaborative work to evolve these tools is already happening.

But because securities enforcement operates in a rapidly evolving environment, it still needs more. The pace of change, the borderless nature of business and the techniques available to those who wish to undermine our systems are now moving at lightning speed in our web 4.0 world. These changes push our enforcement work into situations and models we've not seen before and that are more complex than ever. It requires not only the application of the law, but also new types of thinking and the establishment of new tools and techniques to keep enforcement action effective in this new environment. We also need to ensure we do not adversely affect lawful and innovative types of business. Success, then, is increasingly about *how* we do our jobs.

When faced with new situations that don't have an instant black or white answer, the story of enforcement is about the connections we have: with each other as professionals, with technologies, with our peers and partner self-regulatory organizations (SROs), with law enforcement authorities and with the investors we aim to protect. In today's world, no one – person or agency – can singlehandedly find all the answers and get all the results investors need.

## ACCOUNTABILITY IN ENFORCEMENT

If this report is about the accounting of our activity, but numbers don't address the core questions of accountability, how should that be done?

We do it by examining our work, strengthening the connections within our enforcement ecosystem and adapting to better respond to the business environment fraudsters use to their advantage.

In 2017/18, we saw the culmination of an important effort on binary options fraud as a leading risk to Canadian investors. We developed knowledge and data-driven programs for proactive investigations and analysis. And we fostered new and more robust methods for our members to efficiently support one another. This report will show how we successfully collaborated to meet the challenge of our evolving environment.

When we share knowledge and skills, we are stronger. When we reach across borders, we are bigger. When we collaborate, we are more agile. When we deploy better data intelligence, we are smarter. When we work together, we are better.

This year's report is but one representation of how we are delivering for investors. We are nimble and creative in our approach to tackle the "grey" issues of today. And this is what our stakeholders expect from us.

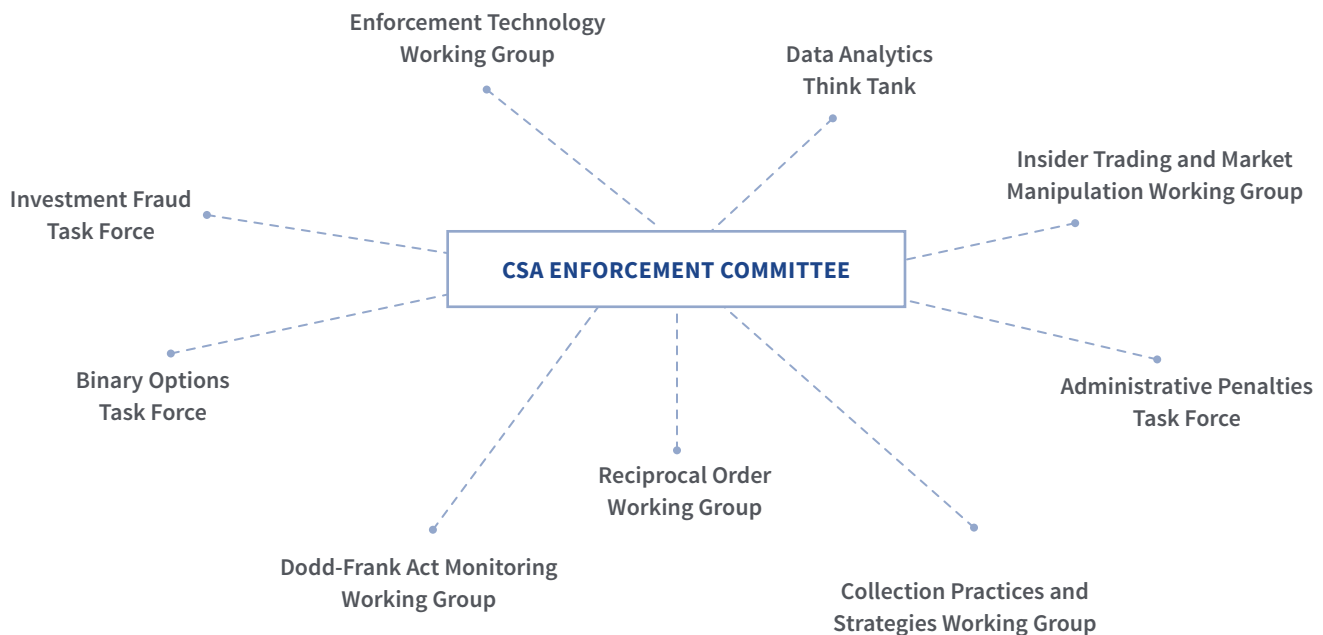


**Louis Morisset**  
Chair, Canadian Securities Administrators



# CSA Enforcement Committee Structure

It takes collaborative efforts across the country to protect Canadian investors. The CSA's enforcement efforts comprise a number of specialized committees, subcommittees, task forces and working groups, each tackling its own set of strategic priorities, from enforcement and international cooperation to peer collaboration and investor education.



## COMMITTEE MEMBERS AND CONTRIBUTORS TO VARIOUS CSA ENFORCEMENT INITIATIVES:

### *Chairs, 2017/18:*

Frédéric Pérodeau (QC) and  
Christian Desjardins (QC)

Lori Chambers (BC)

Doug Muir (BC)

Marc Arseneault (AB)

Cynthia Campbell (AB)

David Elzinga (AB)

Nathanial Day (SK)

Ed Rodonets (SK)

Chris Besko (MB)

Jason Roy (MB)

Jeff Kehoe (ON)

Johanna Superina (ON)

Maxime Bédard (QC)

Jean-François Fortin (QC)

Gordon Fortner (NB)

Brian Maude (NB)

Jake van der Laan (NB)

Randy Gass (NS)

Steven Dowling (PEI)

Curtis Toombs (PEI)

Carl Alwood (NL)

Rhonda Horte (YK)

Jeremy Walsh (NWT)

Jeff Mason (NU)

# CONNECTING TO THE DIGITAL ECONOMY

- »» New Challenges, Evolving Responses
- »» Binary Options: Adapting to Protect Investors
- »» Cryptocurrencies and ICOs: Disruption in Action





# New Challenges, Evolving Responses

The growth and development of digital technology connects us to the world – and to one another – like never before.

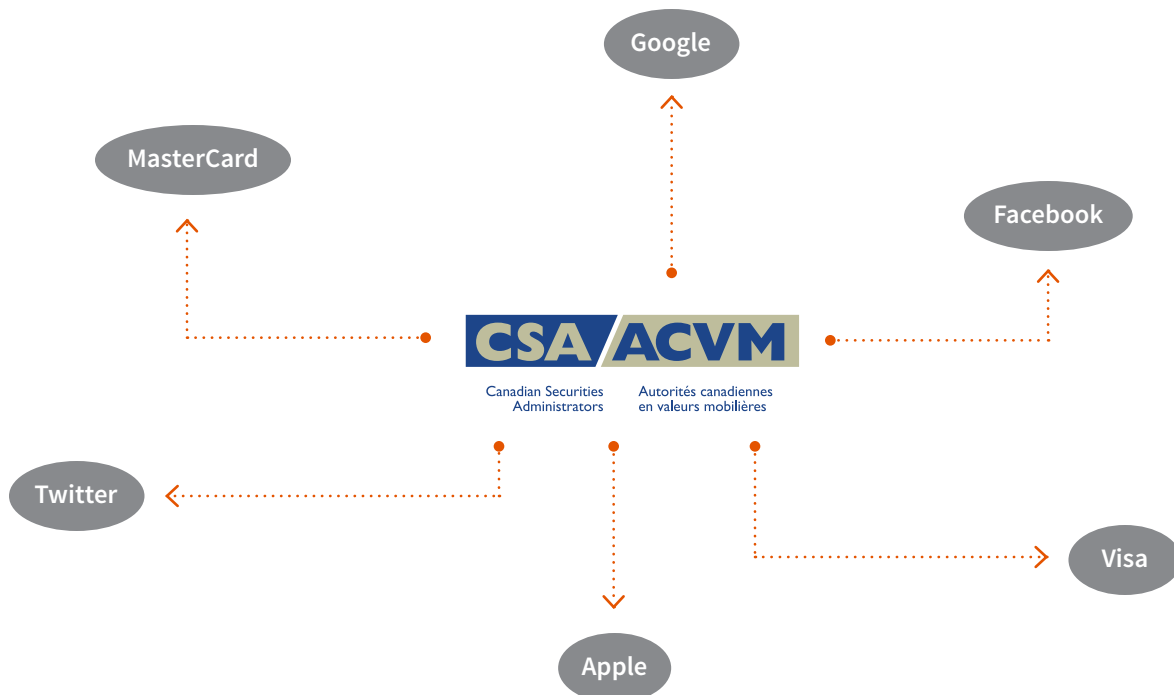
For securities enforcement, this interconnectedness presents both challenges and opportunities: it's a challenge to keep pace with the exchange of information, both real and false. For CSA members, it's an opportunity to develop techniques and strategies to ensure fair, efficient and transparent capital markets for all.

## CONNECTING FOR THE GREATER GOOD

In 2017/18, the CSA established connections with a number of companies, such as Google, Facebook and Apple, to make it harder for fraudsters to access the digital channels and advertising that can lure Canadians into making certain fraudulent investments. In addition, Visa and MasterCard have been working with CSA members to help prevent fraudsters from accessing those payment systems for binary options transactions.

This section highlights enforcement work in two key areas:

- Binary options
- Cryptocurrencies





# Binary Options: Adapting to Protect Investors

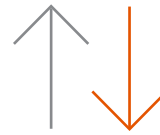


In 2017/18, binary options were one of the fastest-growing sources of investor fraud in Canada. This form of fraud has posed such a high risk to Canadians for several reasons, including:

- The low barrier to entry and the global nature of the fraud; perpetrators can easily set up binary options websites from anywhere in the world
- The perpetrators' use of digital advertising on trusted social networks
- Easy access for investors; participating in binary options can be done entirely online with a credit card

## KEY 2017/18 RESULTS

- **Detection and disruption** of a growing form of fraud in the Canadian marketplace
- **A multilateral ban** on offering, selling or trading binary options shorter than 30 days with any individual in Canada
- **Significant reduction in complaints** and advertisements/activities involving binary options in Canada



## What Are Binary Options?

**Binary options** are similar to a “bet” on the performance of an asset (a currency, stock or commodity). The timeframe is typically short, sometimes even minutes. When time is up, the investor typically receives a predetermined payout or loses the entire amount. In many instances no trading occurs and the transaction takes place for the sole purpose of stealing money. These illegal short-term binary options sites are rigged to lure in victims with small early returns – but no actual trading occurs. Although still legal in some countries, no registered individuals or firms are permitted to trade binary options with retail investors in Canada.

“OUR RECENT WORK ON BINARY OPTIONS FRAUD IS A GREAT EXAMPLE OF OUR EFFORTS TO QUICKLY LEARN AND EVOLVE. THE INITIATIVE SUCCEEDED THROUGH COLLABORATION, DISRUPTION, PERSEVERANCE AND A STEADFAST COMMITMENT TO PROTECTING CANADIAN INVESTORS.”

Jason Roy, Chair, Binary Options Task Force, CSA





## BINARY OPTIONS TASK FORCE IN ACTION

In 2017/18, the Binary Options Task Force:

- Led global discussions on best practices
- Conducted ongoing outreach with key innovators and payment companies with the power to disrupt fraudulent access to Canadian investors
- Collaborated with investor education and communications colleagues to build and launch a public education campaign
- Supported the CSA multilateral ban on binary options

## RAISING AWARENESS, ACCELERATING ACTION

CSA members worked together to launch a public education campaign, and our enforcement professionals collaborated with technology and financial partners to educate and protect investors. As the public became more aware of the threats posed to their savings, inquiries to the CSA Secretariat increased by 33% compared with the two months before the campaign, and visits to [BinaryOptionsFraud.ca](http://BinaryOptionsFraud.ca) surpassed 10,000.

**33%**  
increase in  
inquiries to  
the CSA

**542**  
media stories

**10,000+**  
visits to  
[BinaryOptionsFraud.ca](http://BinaryOptionsFraud.ca)

## PERSEVERING TO PROTECT INVESTORS

The success of the binary options initiative came from focused, creative problem-solving and collaboration within the CSA and with the CSA's global partners.

## Binary Options Task Force Key 2017/18 Milestones

### January 2017:

National complaint tracking system created



### February:

Awareness campaign developed

### March:

Fraud Prevention Month media campaign launched



### May:

CSA proposes ban for comment and launches education campaign

### June:

Apple bans binary options apps



### July:

Twitter bans binary options advertising

### September:

CSA ban announced; education campaign continues

### December:

CSA binary options ban takes effect



### January 2018:

CTV's *W5* airs binary options feature with CSA expert participation



# Cryptocurrencies and Initial Coin Offerings: Disruption in Action

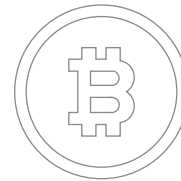
Cryptocurrencies and initial coin offerings (ICOs) took hold of the public's attention in late 2017. Media hype on dramatic returns and new entrants flooding the market resulted in more securities industry and investor attention than ever before.

Cryptocurrencies and ICOs can be offered to and from any country, and determining the identity and location of an issuer and investors can present a challenge in enforcement investigations.

## 2017/18 ENFORCEMENT WORK

The CSA saw a number of significant accomplishments in its 2017/18 cryptocurrency enforcement work:

- Creation of the Investment Fraud Task Force
- Engagement with international colleagues at the North American Securities Administrators Association (NASAA)
- Prosecution of the first case in Québec
- Discussions about the potential cryptocurrency threat with Facebook, Google, MasterCard, Visa and other key financial and technology players
- Coordination with global digital platforms to ban advertising of cryptocurrencies and ICOs
- Contribution to the publication of CSA Staff Notices 46-307 and 46-308, which outline how securities law requirements may apply to cryptocurrencies and offerings of tokens



## What Are Cryptocurrencies and ICOs?

- A **cryptocurrency** is an asset that exists online using interconnected computers to record balances and transactions. Bitcoin was the first cryptocurrency, invented in 2009, followed by Ethereum, Litecoin, Monero, Dash and many others.
- **ICO** refers to a form of crowdfunding whereby investors are sold digital tokens usually representing some utility or benefit in a product or service to be created by an ICO project.

“CRYPTOCURRENCIES ARE ONE ASPECT OF THE COMING CHANGES IN BUSINESS PRODUCTS AND SERVICES DRIVEN BY FINTECH INNOVATION. ENFORCEMENT TEAMS ACROSS THE CSA MOBILIZED QUICKLY TO WORK TOGETHER ON ENFORCEMENT EFFORTS TO MEET THE CHALLENGES POSED BY THIS DISRUPTIVE NEW TECHNOLOGY.”

Jake van der Laan, Vice-Chair, Investment Fraud Task Force, CSA



# BUILDING OUR ENFORCEMENT TOOLKIT

- »» Harnessing the Power of Technology
- »» Pump-and-Dump Summit
- »» Collaborating for Successful Enforcement



# Harnessing the Power of Technology

Technology continues to change the way Canadians get and share information. In 2017/18, CSA members continued to look for ways to utilize technology for their own information sharing and for securities enforcement.

## ENHANCEMENT TO ADDRESS MARKET MANIPULATION

The CSA is updating its proprietary marketplace surveillance technology, used in investigations of market manipulation and insider trading. This new system – Market Analysis Platform, or MAP – will replace the CSA’s current system. MAP will help the CSA’s members to:

- **Uphold market integrity** by providing advanced surveillance capabilities designed to assess, investigate and explain potential market abuse cases
- **Identify individuals possibly acting together**, or groups of securities that may be the focus of manipulation
- **Access enhanced research into market behaviour**, which can support data-driven policy decision-making

“THE CONFERENCE ON ADVANCED ANALYTICS WAS AN OPPORTUNITY TO SHARE BEST PRACTICES ON INTEGRATING INNOVATIVE TECHNOLOGY INTO ENFORCEMENT TOOLS. UTILIZING BIG DATA EFFECTIVELY IS CRITICAL TO THE TYPE OF INVESTIGATIONS CONDUCTED ACROSS THE CSA.”

Jeff Kehoe, Director of Enforcement, Ontario Securities Commission



## Sharing Best Practices: CSA Data Analytics Conference

In November 2017 in Toronto, the Ontario Securities Commission (OSC) hosted the CSA’s Data Analytics Think Tank two-day conference on industry best practices relating to advanced analytics.

CSA members established the forum to share information and best practices and to reinforce the critical role in enforcement played by data analytics. The conference gathered experts from prominent data-driven organizations from around the world to discuss topics such as:

- Artificial intelligence, machine learning and natural language processing
- Open-source technology solutions
- Building data-science-driven teams
- Storing and analyzing evidence in the cloud
- Shared resources



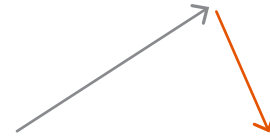


# Pump-and-Dump Summit

The first-ever Canadian Pump-and-Dump Summit for securities regulators and law enforcement agencies was held in Calgary in September 2017 with the support of the CSA Enforcement Committee.

Enforcement specialists from the Alberta Securities Commission, the British Columbia Securities Commission, the Ontario Securities Commission, the Autorité des marchés financiers, the RCMP, the U.S. Securities and Exchange Commission, and the FBI came together to explore innovative, effective approaches to detecting and investigating pump-and-dump schemes, which cause substantial loss to investors and reputational damage to Canada's capital markets each year.

Summit participants created a working group that will build on the existing collaboration and relationships among CSA members and take further coordinated action to disrupt and investigate pump-and-dump activities. Since the summit concluded, the working group has facilitated additional intelligence-sharing and is taking action to thwart pump-and-dump schemes.



## What Are Pump-and-Dump Schemes?

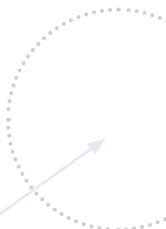
**Pump-and-dump schemes** involve the artificial inflation, or “pumping,” of a stock price through false and misleading positive statements, so that the perpetrators can later sell their cheaply purchased shares at a higher price. Once the scheme organizers “dump” their stock, the price falls and other investors, not aware of the scheme, lose money.

Most common with smaller-cap stocks and some cryptocurrencies, this type of securities fraud can cause harm in several ways:

- Financial losses to individual investors
- Damage to the reputation of Canada's capital markets
- Support of organized crime

“CSA MEMBERS CONTINUOUSLY LEARN, SHARE AND CONNECT WITH EACH OTHER AND WITH OTHER STAKEHOLDERS. OUR EFFORTS ARE DESIGNED TO IMPROVE OUR RESULTS, DETER MISCONDUCT AND STAY AHEAD OF EMERGING THREATS TO INVESTORS.”

Cynthia Campbell, Director of Enforcement, Alberta Securities Commission





# Collaborating for Successful Enforcement

CSA members do not work in silos. They collaborate across provinces and territories to better deter, detect, disrupt, investigate and sanction violations of securities laws. In today's world this cooperation is more important than ever.

## INTERPROVINCIAL COLLABORATION

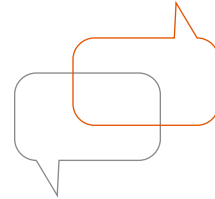
In 2017/18, cooperation across provincial borders played a key role in a range of cases. Over the course of the year CSA members:

- Provided formal assistance to one another 88 times
- Referred 35 files to other jurisdictions for further enforcement action
- Collaborated daily across Canada to contribute to effective enforcement

## RECIPROCATION FOR THE WIDEST IMPACT

In general, reciprocal orders allow securities regulators to apply orders issued in another jurisdiction or by another authority in their own jurisdiction. This helps prevent individuals or companies sanctioned in one jurisdiction from moving to and carrying on their conduct in another jurisdiction.

In June 2017, Manitoba joined Alberta, Québec, Nova Scotia and New Brunswick to become the fifth Canadian province to participate in statutory automatic reciprocation. This means that any order imposing sanctions, conditions, restrictions or requirements issued by another CSA regulator or securities administrative tribunal, based on a finding or admission of a contravention of securities legislation, is now automatically reciprocated in these five provinces.



## The Benefits of Information Exchange

Mutual cooperation plays a critical role in enforcement of securities laws across Canada. CSA members help each other by:

- Gathering information, such as records and testimony, and identifying the ultimate beneficial owner in a transaction
- Working together on investigations, including tracing funds or assets and freezing accounts
- Reciprocating commission orders





# 2017/18 ENFORCEMENT ACTIVITY

- »» Securities Enforcement in Canada
- »» CSA Members' Role in Securities Enforcement
- »» 2017/18 Enforcement Results





## 2017/18 Enforcement Activity

Some enforcement activities are very technical and focused on deeply complex schemes, but CSA members never lose sight of their objectives to protect investors and ensure fair, efficient and transparent markets.



“WHAT DRIVES THE CSA IS PROTECTING CANADIAN INVESTORS. ENFORCEMENT HAPPENS LOCALLY AND INTELLIGENCE AND KNOWLEDGE ARE SHARED AMONG CSA MEMBERS NATIONALLY. OUR MEMBERS OFTEN OFFER ASSISTANCE TO EACH OTHER DURING AN INVESTIGATION OR BEFORE A TRIBUNAL. IF AND WHEN A THREAT WIDENS, CSA MEMBERS COMBINE THEIR EFFORTS TO ENABLE APPROPRIATE ACTION AND THUS BETTER PROTECT INVESTORS.”

Christian Desjardins, Chair, Enforcement Committee, CSA



# Securities Enforcement in Canada

## COLLABORATING TO PROTECT INVESTORS

The CSA's members aim to facilitate and enhance cooperation among themselves and with other enforcement partners, including:

- **Criminal law enforcement authorities** such as the RCMP and provincial and municipal police services. CSA members provide specific expertise, such as forensic accounting and capital markets knowledge, and work jointly with police on alleged *Criminal Code* violations.
- **Self-regulatory authorities** such as the [Investment Industry Regulatory Organization of Canada \(IIROC\)](#), the [Chambre de la sécurité financière \(CSF\)](#) and the [Mutual Fund Dealers Association of Canada \(MFDA\)](#). These organizations can sanction member dealers with fines and/or market access restrictions.
- **Foreign securities authorities and associations** such as the [U.S. Securities and Exchange Commission](#), [The U.S. Commodity Futures Trading Commission](#), U.S. state securities administrators, the NASAA, the [Financial Conduct Authority \(UK\)](#), the [Autorité des marchés financiers \(France\)](#), the [Australian Securities & Investment Commission](#) and the [International Organization of Securities Commissions \(IOSCO\)](#), which is the international organization that brings together the world's securities regulators.



The CSA is an umbrella organization of Canada's 10 provincial and three territorial securities regulators.

**British Columbia**

British Columbia Securities Commission

**Alberta**

Alberta Securities Commission

**Saskatchewan**

Financial and Consumer Affairs Authority of Saskatchewan

**Manitoba**

Manitoba Securities Commission

**Ontario**

Ontario Securities Commission

**Québec**

Autorité des marchés financiers

**New Brunswick**

Financial and Consumer Services Commission

**Nova Scotia**

Nova Scotia Securities Commission

**Prince Edward Island**

Office of the Superintendent of Securities

**Newfoundland and Labrador**

Office of the Superintendent of Securities, Service Newfoundland and Labrador

**Yukon**

Office of the Yukon Superintendent of Securities

**Northwest Territories**

Office of the Superintendent of Securities

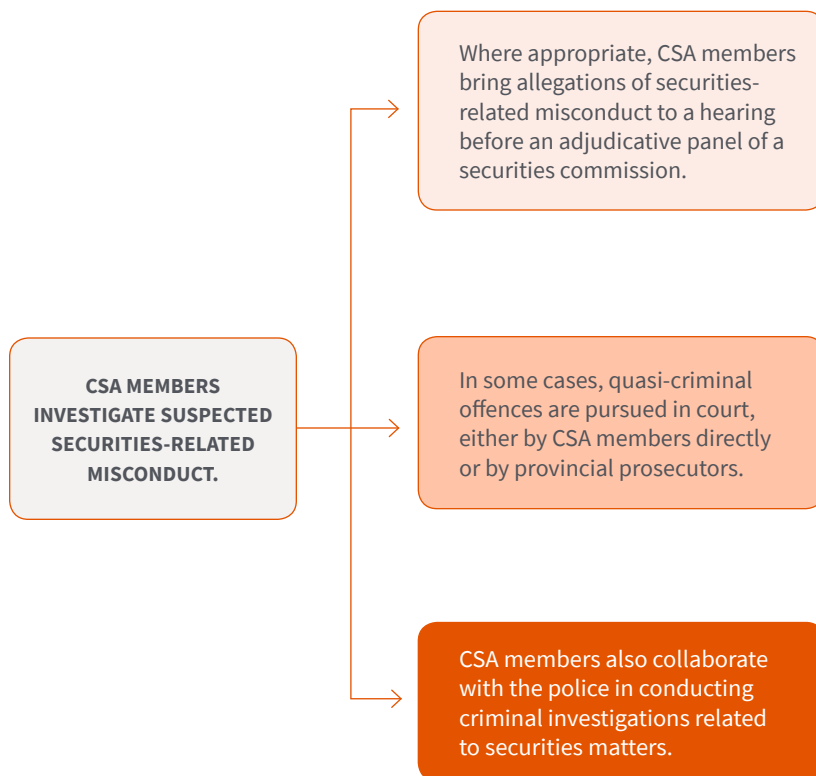
**Nunavut**

Nunavut Securities Office



# CSA Members' Role in Securities Enforcement

All CSA members share the same goal: protecting investors and protecting the integrity of the capital markets. In pursuit of that goal, CSA members facilitate the development of efficient and harmonized policies and procedures.



## Who Can Investigate and Prosecute Criminal Matters?




CSA members are regulatory agencies that address securities misconduct primarily through administrative proceedings or quasi-criminal prosecutions. Where securities-related misconduct is criminal in nature, such as fraud, insider trading or market manipulation, responsibility for investigating such offences often rests with the police. In some jurisdictions, CSA members are authorized to investigate certain *Criminal Code* offences, often in partnership with police agencies. All criminal prosecutions are conducted by Crown prosecutors, not by securities commission staff.





## DIFFERENCES BETWEEN VIOLATIONS UNDER SECURITIES ACTS AND THE *CRIMINAL CODE*

This chart outlines the CSA's role in different types of securities-related enforcement.

TYPE OF PROCEEDING	SECURITIES ACTS		CRIMINAL CODE
	 ADMINISTRATIVE	 QUASI-CRIMINAL	 CRIMINAL
Types of violations	Contravention of a provincial securities act <sup>1</sup> and related regulations	Violation of the offence provisions of a provincial securities act and related regulations	Violation of the <i>Criminal Code</i>
Who can investigate	<ul style="list-style-type: none"> <li>Securities commission staff</li> </ul>	<ul style="list-style-type: none"> <li>Securities commission staff</li> </ul>	<ul style="list-style-type: none"> <li>Police and other law enforcement agencies</li> <li>In some jurisdictions, securities commission staff can also investigate certain criminal offences</li> </ul>
Who can prosecute	<ul style="list-style-type: none"> <li>Securities commission staff</li> </ul>	<ul style="list-style-type: none"> <li>In some jurisdictions, securities commission staff (in some instances as agents of the Crown)</li> <li>In some jurisdictions, provincial Crown prosecutors</li> </ul>	<ul style="list-style-type: none"> <li>Provincial or federal Crown prosecutors only</li> </ul>
Who renders judgment	<ul style="list-style-type: none"> <li>Adjudicative panel of a securities commission or an administrative tribunal with jurisdiction over securities matters</li> </ul>	<ul style="list-style-type: none"> <li>A judge</li> </ul>	<ul style="list-style-type: none"> <li>A judge or a judge and jury, depending on the offence and the election of the accused</li> </ul>
Sanctions	<ul style="list-style-type: none"> <li>Administrative penalties</li> <li>Various types of bans, suspensions and restrictions</li> <li>Disgorgement of profits</li> <li>Cease-trade orders or cancellation of transactions</li> </ul>	<ul style="list-style-type: none"> <li>Fines</li> <li>Imprisonment terms up to 5 years less a day per offence in some jurisdictions</li> </ul>	<ul style="list-style-type: none"> <li>Imprisonment terms up to 14 years, depending on the offence</li> <li>Fines</li> <li>Restitution</li> <li>Criminal record</li> </ul>

<sup>1</sup>The term “securities act” includes any separate legislation related to commodities and derivatives.

# 2017/18 Enforcement Results

This report presents CSA member enforcement activity for the fiscal year April 1, 2017, to March 31, 2018.

For comparison with past years, we also include results for the 2017 calendar year. You may review previous reporting periods on the [CSA website](#). Subsequent reports will include only the results for each fiscal year.

## CONCLUDED MATTERS

Concluded matters are cases in which a final decision has been issued or a settlement has been reached.

### Respondents by Category

<p><b>132</b></p> <p>Illegal distribution (149 for calendar year)</p> <hr/> <p><b>14</b></p> <p>Misconduct by registrants (21 for calendar year)</p>	<p><b>9</b></p> <p>Illegal insider trading (12 for calendar year)</p> <hr/> <p><b>9</b></p> <p>Disclosure violations (7 for calendar year)</p>	<p><b>20</b></p> <p>Market manipulation (23 for calendar year)</p> <hr/> <p><b>21</b></p> <p>Fraud (23 for calendar year)</p>	<p><b>7</b></p> <p>No-contest settlements (7 for calendar year)</p> <hr/> <p><b>13</b></p> <p>Other cases (17 for calendar year)</p>
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**Fiscal year:** from April 1, 2017, to March 31, 2018, CSA members concluded a total of 102 matters involving 225 respondents (both individuals and companies).

**Calendar year:** from January 1 to December 31, 2017, CSA members concluded a total of 111 matters involving 259 respondents (both individuals and companies).

## SPOTLIGHT ON: Collecting on sanctions

Imposing a monetary sanction is one thing. Collecting it is another matter entirely. Why? Simply put, the monetary sanctions imposed in an effort to deter securities violations do not necessarily align with a person's or company's ability to pay. Respondents often do not have assets to collect:

- Funds may have been moved to an offshore location from which they are not recoverable
- Respondents may never have had or may not have retained the amount of money they are required to pay
- Other amounts owing by the respondent, such as outstanding taxes, can take legal priority over collection of sanctions

- There may be legal constraints on collecting from a bankrupt respondent
- The respondent may have forfeited assets as part of a criminal process

*Importantly, where assets do exist, securities regulators will make sure that victims have the opportunity to recover their losses before seeking to collect on monetary sanctions.*



## SPOTLIGHT ON: Collection methods

Despite these challenges, CSA members vigorously pursue all available avenues to collect outstanding monetary sanctions, including:

- Registering orders in the courts and enforcing them as court judgments
- Garnisheeing wages, making seizures and selling debtors' assets
- Hiring external services, such as private investigators, collection agencies, bailiffs and legal counsel
- Conducting examinations and filing lawsuits
- Working collaboratively with law enforcement and other regulatory agencies in other jurisdictions
- Publicly posting a list of delinquent debtors

- In Québec, in certain circumstances, quasi-criminal fines can be paid by means of compensatory works

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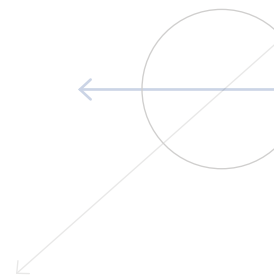
*CSA members invest considerable effort to collect monetary sanctions. But deterrence should never be assessed solely on a collection rate. Deterrence is also achieved by our various unrelenting enforcement actions, such as revoking, suspending or imposing restrictions on registration; imposing bans; freezing accounts; issuing cease-trade orders; disclosing misconduct or offences; seeking jail terms; issuing public alerts and conducting education campaigns.*

## PENALTIES

The penalties imposed for securities law violation, for conduct that is contrary to the public interest or for no-contest settlement range from bans on future activity (such as trading in securities or acting as a director or officer of a public company) to financial penalties, voluntary payments and jail terms.



FINES, ADMINISTRATIVE PENALTIES & OTHER	FISCAL YEAR \$	CALENDAR YEAR \$
Illegal distribution	17,138,520	13,670,720
Misconduct by registrants	15,383,500	6,807,786
Illegal insider trading	1,179,223	1,915,872
Disclosure violations	3,150,000	2,900,000
Market manipulation	19,615,000	19,965,820
Fraud	5,635,000	20,515,000
No-contest settlements	1,560,000	1,560,000
Other cases	1,952,500	2,034,000
TOTAL	65,613,743	69,369,198



## RESTITUTION, COMPENSATION AND DISGORGEMENT

In specific circumstances, restitution, compensation and disgorgement powers are available to some regulators or courts under securities legislation.

RESTITUTION, COMPENSATION AND DISGORGEMENT	FISCAL YEAR \$	CALENDAR YEAR \$
Illegal distribution	3,895,394	4,241,608
Misconduct by registrants	2,051,025	2,198,525
Illegal insider trading	286,220	556,015
Disclosure violations	10,000,000	10,000,000
Market manipulation	223,092	223,092
Fraud	5,176,924	13,827,985
No-contest settlements	37,347,840	37,347,840
Other cases	208,296	208,296
TOTAL	59,188,791	68,603,361



### JAIL TERMS (QUASI-CRIMINAL CASES)

In 2017/18, courts in Alberta, Ontario and Québec ordered jail terms under their respective securities acts

**19** individuals received a total of over 29 years of jail time

(17 individuals received over 33 years of jail time for calendar year)

Sentence durations ranged from 30 days to five years less one day

## PROCEEDINGS COMMENCED

Proceedings commenced are cases in which CSA member staff have filed a notice of hearing or statement of allegations, or sworn in information before the courts (or served a statement of offence in Québec).

### Respondents by Category

53

Illegal distribution  
(51 for calendar year)

14

Illegal insider trading  
(9 for calendar year)

7

Market manipulation  
(13 for calendar year)

7

No-contest settlements  
(7 for calendar year)

21

Misconduct by registrants  
(16 for calendar year)

11

Disclosure violations  
(9 for calendar year)

33

Fraud  
(39 for calendar year)

15

Other cases  
(16 for calendar year)



**Fiscal year:** from April 1, 2017, to March 31, 2018, CSA members commenced a total of 70 matters involving 161 respondents (both individuals and companies).

**Calendar year:** from January 1 to December 31, 2017, CSA members commenced a total of 66 matters involving 160 respondents (both individuals and companies).

## PREVENTIVE MEASURES

### Interim cease-trade and asset-freeze orders

CSA members continue to protect investors by using measures such as interim cease-trade and asset-freeze orders, which prohibit or inhibit a potentially illegal activity while an investigation is underway. Certain jurisdictions have the legislative authority to halt trading on public exchanges when they suspect or identify irregular trading of securities or derivatives, helping to stop potential market manipulation in its tracks.



**Under the 53 interim cease-trade and asset-freeze orders issued, trading and other restrictions were placed on 124 respondents.**

(The calendar year saw 49 interim and asset-freeze orders placed on 127 respondents).

### Asset-freeze orders

Securities regulators use asset-freeze orders to prevent the loss of assets pending completion of an investigation. Where circumstances merit, regulators can also apply to the court to facilitate an orderly distribution of assets back to investors. Assets can include bank accounts and personal property such as vehicles, buildings and other physical assets.



**29 asset-freeze orders were issued relating to 53 respondents, including a total of \$87.2 million in bank accounts and through property liens.**

(The calendar year saw 30 asset-freeze orders relating to 50 respondents, including a total of \$88.0 million in bank accounts and through property liens).

### Investor warnings and alerts

CSA members issue investor warnings and alerts through their respective websites, email, social media channels and the CSA website to warn the public about individuals and companies that may be involved in harmful activity. Often such alerts relate to businesses in other countries that are not registered in Canada to engage in the business of trading in securities or advising anyone with respect to investing in, buying or selling securities, but that may be targeting Canadian investors.



**CSA members issued 56 investor alerts to warn the public not to invest with certain companies or types of investments.**

(The calendar year saw 54 investor alerts to warn the public).



## CRIMINAL CODE CASES

In certain cases, securities regulators investigate cases for breaches of the *Criminal Code*, either on their own or in collaboration with law enforcement agencies. These investigations can involve search warrants, surveillance and undercover operations. Related prosecutions are conducted by provincial and federal Crown counsel.

**8 cases were commenced under the *Criminal Code*.**  
(8 for calendar year)

**11 individuals were found guilty by the courts under the *Criminal Code* – 1 in BC, 1 in Manitoba, 3 in Ontario and 6 in Québec.**

(10 found guilty for calendar year: 1 in BC, 1 in Manitoba, 2 in Ontario and 6 in Québec)

**8 offenders received jail sentences**

**totalling 14 years of jail time.**

Sentences ranged from 6 months to almost 4 years.

(8 offenders received 14 years of jail time for calendar year)



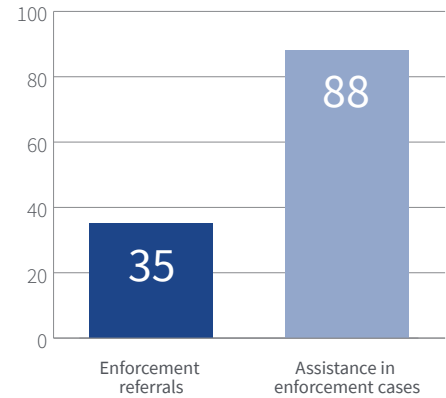


## REFERRALS AND ASSISTANCE

**Enforcement referrals:** Files referred by a CSA member to another CSA member (excluding referrals to self-regulatory organizations and foreign regulators).

**Cases of formal assistance in enforcement:** Number of times a CSA member formally assisted another CSA member in an enforcement file (examples: interview of witnesses, obtaining documents).

Fiscal Year Data



## SPOTLIGHT ON: Recidivism

**Recidivists**, or those who repeatedly violate the law, are a reality in every legal enforcement system in Canada. Our securities enforcement system is notably built on fair, credible and progressive sanctions proportionate to the gravity of each case. This is why CSA members take into consideration past sanctions against a respondent when they assess how to investigate and proceed with a specific case. Past enforcement action will influence whether a CSA member will pursue an administrative proceeding, pursue a quasi-criminal proceeding (when that is within its power) or refer the case to other authorities for criminal proceeding.

As part of our ongoing efforts to monitor, address and deter repeat violators, the CSA collectively tracks recidivism. Our statistics include individuals who have been sanctioned for breaching securities laws after having been previously sanctioned for a securities violation by a securities regulator or the court. This recidivism rate does not include those who have been

subject only to reciprocal orders or subject to multiple sanctions for the same event or different events that occurred simultaneously or during the same period.

**4%** – rate of repeat violators (based on decisions published on the CSA website’s Disciplined List)

**4.5%** – rate of repeat violators from January 2017 to March 2018

Of the **9** individuals who were recidivists in 2017/18, **8** were prosecuted in court and **6** were sentenced to prison terms

*CSA members collaborate to identify repeat violators across Canada and aim for more severe sanctions for these individuals.*



### Who Is a Recidivist?

CSA members consider an individual to be a recidivist if they are sanctioned for breaching securities laws and regulations after previously having been sanctioned for a securities violation by a securities regulator or court. An individual is not considered a recidivist if they were subject only to reciprocal orders or multiple sanctions for the same event or for multiple events simultaneously during the same period.

# Taking stock of where we stand today can help the CSA chart its enforcement course for tomorrow.

This web 4.0 world is a complex one to navigate for both investors and regulators. The interconnectedness of investors, agencies, tools – and respondents and criminals – and the lightning-fast global exchange of information continue to influence how we safeguard investors.

Some of the financial vehicles investors are considering didn't even exist 10 years ago. And a whole new set of schemes may appear on the horizon in the coming years.

But CSA members remain vigilant and committed to keeping one step ahead of those who try to subvert securities laws.

Collaborating across our own provincial borders and with international partners in commerce, technology and enforcement, we are advancing how we pursue and prosecute securities misconduct.

By working together, we can stand united in the protection of investors and a fair capital market.





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