



A COLLABORATIVE APPROACH TO ENFORCEMENT

CSA/ACVM

Canadian Securities Administrators
Autorités canadiennes en valeurs mobilières

FY 2021/2022 ENFORCEMENT REPORT

ENFORCEMENT HIGHLIGHTS AT A GLANCE



24

instances where CSA members provided formal assistance to one another



73

files referred from one jurisdiction to another for further action



236

Investor Alerts issued



44

individuals banned from participating in the capital markets



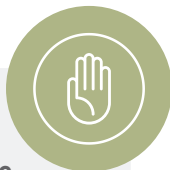
13

companies banned permanently from participating in the capital markets



14

crypto-related matters where the CSA took action in pursuit of clarifying and enhancing regulation



61

interim cease-trade and asset-freeze orders issued



59

matters commenced involving 139 respondents



7

individuals received a combined total of 15.4 years of jail terms for criminal and quasi-criminal cases



4

individuals found guilty by the courts under the *Criminal Code*



\$14.9M

in restitution, compensation and disgorgement penalties



\$15.5M

in sanctions, including administrative penalties and voluntary payments



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MESSAGE FROM THE CHAIR

I am pleased to present the Canadian Securities Administrators' (CSA) 2021-2022 Enforcement Report.

Enforcement is a key pillar of the CSA's mandate, and this Report is an opportunity to update market participants, our industry partners and the Canadian public on our enforcement priorities and results.

This past year, CSA members took actions to detect, disrupt and deter wrongdoing and hold securities law violators accountable. We commenced 59 matters involving 139 respondents and concluded 52 cases involving 93 respondents. Importantly, 44 individuals and 13 companies were banned from participating in the capital markets.

CSA members used various tactics to disrupt ongoing and potential illegal activity. Disruption involves intervening as soon as possible to protect investors and minimize harm. This report outlines several tactics used to either disrupt potentially harmful or illegal activity or to prevent it.

One example of disruption is investor alerts, which warn the public about potential harmful or illegal activity. This past year, the CSA issued 236 investor alerts. Many CSA members also use caution lists to name individuals or companies performing activities that may pose a risk to investors. Other preventative methods include sending inquiry or caution letters to a person or company whose activities raise concerns, and collaborating with law enforcement to make unannounced visits or virtual calls to offices of companies that may not be complying with securities laws.

We issued 61 interim cease-trade and asset-freeze orders. While not intended to disrupt misconduct, asset-freeze orders work to prevent a person or company from transferring assets and to increase the chances that there will be funds available to pay any sanctions that might be imposed by a panel or tribunal.

Our members also pursued all available avenues to collect outstanding monetary sanctions, underscoring the deterrent effects of the penalties and disgorgements imposed by our panels or tribunals.

Our efforts were further supported by actions taken by others. We value those who come forward with high-quality information that enables CSA members to take timely action. Whistleblowers, who expose complex securities misconduct that may not otherwise come to light, continued to play a vital role in the enforcement process this past fiscal year.

As CSA members pursued enforcement actions, the pandemic persisted. However, it only reinforced our adaptability and strengthened the resolve of CSA members to collaborate as part of a relentless focus on investigating and taking action.

CSA members provided 73 referrals on enforcement matters to each other and provided 24 instances of assistance in enforcement cases. We worked closely with other regulators and agencies in Canada and around the world to share insights and information to help advance investigations.

Members collaborated globally as part of their role on the International Organization of Securities Commissions (IOSCO), the international body that brings together the world's securities regulators, and the North American Securities Administrators Association (NASAA), the oldest international organization devoted to investor protection.

The Chair of the IOSCO Screening Committee is a CSA member – the second Canadian delegate in a row to assume this position. In this role, he is helping to evaluate potential signatories and foster the exchange of information among securities regulators around the world for the purpose of enforcement.

This past fiscal year, several CSA members were part of a 20-country investigation that resulted in the United States Securities and Exchange Commission charging defendants for participating in multi-year fraudulent penny stock schemes that generated more than USD\$194 million in illicit proceeds. Additionally, CSA members engaged in a number of NASAA initiatives, including virtual investigative training to help support cross-jurisdictional enforcement efforts and NASAA Connect, an online community that provides a place for members to share information, collaborate and ask and respond to questions.

Building on that collaboration, we continued to find new ways to improve our market analytics capacity and our technological capabilities to support our investigations and tackle sophisticated and evolving threats. As part of our actions, we refined our techniques to research and analyze crypto asset trading to better understand the full ecosystem and identify opportunities to disrupt misconduct at every stage, from investor solicitation to advertising to investing.

We collaborated with third parties, such as law enforcement, the Canadian Anti-Fraud Centre, website domain registrars and crypto exchanges to root out misconduct and target fraudsters who lure investors into scams. Unfortunately, this past fiscal year, investors reported instances of high-pressure sales tactics being used to lure Canadians into fraudulent investment offerings, particularly related to crypto assets. The ease of using social media and the internet to disseminate false information, as well as the escalating market interest in crypto assets, were likely factors.

The Enforcement Technology and Analytics Working Group, comprised of CSA members across the country, developed a reference framework on the establishment of digital forensic laboratories in a cloud-based environment.

We developed and conducted training around novel technology and analytics issues and trends to ensure all jurisdictions have the latest insights to improve their enforcement capabilities, such as data mining the web, application programming interfaces for crypto asset trading platforms, and the use of decentralized finance technologies.

The Market Analysis Platform (MAP), launched in late 2020, is now used by all CSA members across the country to access and analyze trading activity. This past year, we further enhanced the efficiency and speed with which we can detect suspicious trading activity and analyze market abuse. We are integrating other data sources into the system to capture a broader array of analytics and insights, including derivatives data, which we expect to have in place later this year.

This was my final year as Chair of the CSA. Over my seven year term it has been a pleasure collaborating with other regulatory authorities and agencies to advance enforcement efforts, both in Canada and around the world. In particular, I'd like to thank the hard-working and determined enforcement staff from our member jurisdictions, including crucial support from our CSA Secretariat team, who work tirelessly to identify wrongdoing, protect Canadians from misconduct and strengthen market integrity. I am proud to have served as the CSA Chair and I look forward to continuing to help drive the CSA's mandate in my continued role as President and CEO of the Autorité des marchés financiers.



LOUIS MORISSET

Chair, Canadian Securities Administrators

FY2021/2022 ENFORCEMENT ACTIVITY

This report presents CSA members' enforcement activity across several categories for fiscal year 2021/2022 (April 1, 2021 to March 31, 2022). For previous reporting periods, visit the CSA website.

PROCEEDINGS COMMENCED

“Proceedings commenced” are cases in which a CSA member filed a notice of hearing or statement of allegations, swore an information before the courts or, in the case of Québec, served a statement of offence.

RESPONDENTS BY CATEGORY

Type of offence	Number of respondents FY2021/2022
Illegal distribution	41
Illegal insider trading	7
Market manipulation	—
Misconduct by registrants	11
Disclosure violations	31
Fraud	31
No-contest settlements	—
Public interest violations and other misconduct	18



In FY2021/2022, CSA members commenced **59 matters** involving **139 respondents** (both individuals and companies).

REFERRALS & ASSISTANCE

Enforcement referrals are files referred by a CSA member to another CSA member.

Formal assistance in enforcement cases includes the number of times a CSA member formally assisted another CSA member in an enforcement file (e.g., interviewing witnesses, obtaining documents).



73
ENFORCEMENT
REFERRALS



24
INSTANCES OF
ASSISTANCE IN
ENFORCEMENT CASES

CONCLUDED MATTERS

“Concluded matters” refer to cases in which a final decision has been issued or a settlement reached.

! In FY2021/2022, CSA members concluded a total of **52 matters** involving **93 respondents** (both individuals and companies).

* In this year’s report, this included breaches of orders, misrepresentation, misleading statements, reciprocal order seeking other sanctions, and obstruction of justice

RESPONDENTS BY CATEGORY	
Type of offence	Number of respondents FY2021/2022
Illegal distribution	29
Illegal insider trading	5
Market manipulation	5
Misconduct by registrants	16
Disclosure violations	5
Fraud	22
No-contest settlements	—
Public interest violations and other misconduct*	11

FINES, ADMINISTRATIVE PENALTIES & OTHER

CSA members impose or obtain sanctions for securities laws violations, for conduct contrary to public interest, or settlements or through no-contest settlements. Financial sanctions include penalties and voluntary payments.

Fines, administrative penalties & other	FY2021/2022
Illegal distribution	\$5,306,000
Illegal insider trading	\$682,554
Market manipulation	—
Misconduct by registrants	\$1,281,000
Disclosure violations	\$110,000
Fraud	\$3,791,500
No-contest settlements	—
Public interest violations and other misconduct	\$4,300,000
TOTAL	\$15,471,054

RESTITUTION, COMPENSATION, & DISGORGEMENT

In specific circumstances, some regulators or courts possess restitution, compensation and disgorgement powers. In specific circumstances, some regulators can make financial orders that can result in money being returned to investors.

Restitution, compensation & disgorgement	FY2021/2022
Illegal distribution	\$4,043,192
Illegal insider trading	—
Market manipulation	\$117,400
Misconduct by registrants	\$700,000
Disclosure violations	—
Fraud	\$10,015,388
No-contest settlements	—
Public interest violations and other misconduct	—
TOTAL	\$14,875,980

JAIL TERMS

QUASI-CRIMINAL CASES

In FY2021/2022, courts in Ontario and Québec ordered jail terms under their respective securities acts.

CRIMINAL CASES

In certain cases, securities regulators investigate breaches of the *Criminal Code*, either independently or in collaboration with law enforcement agencies.

These can involve search warrants, surveillance, and undercover operations.



SEARCH WARRANTS



SURVEILLANCE



UNDERCOVER OPERATIONS

Subsequently, provincial and federal Crown counsel conduct related prosecutions.



6

individuals received a total of **9.4 years of jail terms under securities acts**, with sentences ranging from **90 days to 36 months**.



5

cases commenced under the *Criminal Code*.



4

individuals **found guilty** by the courts under the *Criminal Code*.



1

individual received a **6-year** jail term under the *Criminal Code*.

SPOTLIGHT ON SANCTIONS AND COLLECTION METHODS

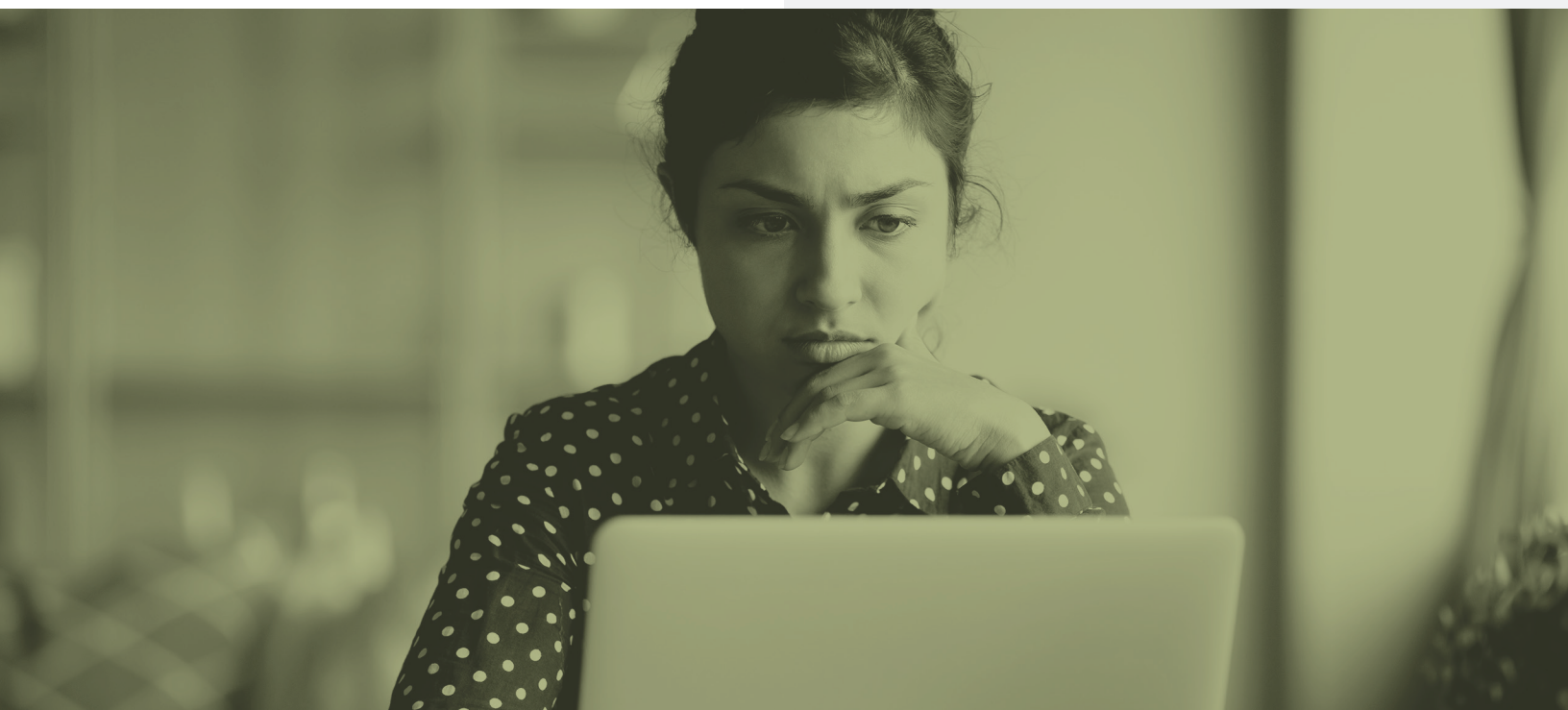
CSA members pursue all avenues available to them to collect outstanding monetary sanctions, including:

- Registering orders in the courts and enforcing them as court judgments;
- Conducting interviews, obtaining financial records and filing lawsuits;
- Leveraging CSA member staff dedicated to collections;
- Hiring external services, including private investigators, collection specialists and agencies, bailiffs and legal counsel;
- Garnisheeing wages, seizing and selling debtors' assets;
- Working collaboratively with law enforcement and other regulatory agencies;
- Publicly posting a list of delinquent debtors; and
- In Québec, allowing for compensatory work to pay quasi-criminal fines, when applicable.

However, imposing monetary sanctions and collecting those sanctions are entirely different matters. In some cases, monetary sanctions do not reflect a person or company's ability to pay. Respondents often do not have assets to collect because:

- They may never have had or may not have retained the amount of money they are required to pay;
- Other amounts owing by them, such as outstanding taxes, can take legal priority over collection of sanctions;
- There may be legal constraints on collecting from them if they declare bankruptcy;
- They may have forfeited assets as part of a criminal process; and
- Funds may be in another country from which they are not recoverable.

Where assets do exist, securities regulators give priority to returning money to investors.



PREVENTATIVE AND DISRUPTIVE MEASURES

CEASE-TRADE AND ASSET-FREEZE ORDERS

CSA members protect investors by issuing or obtaining interim cease-trade orders or freezing assets while they conduct investigations. Certain jurisdictions have the legislative authority to halt trading on public exchanges when they suspect or identify irregular trading of securities or derivatives, in turn stopping potential market manipulation.

Asset-freeze orders help prevent the loss of assets – for example, bank deposits and personal property, including vehicles and buildings – pending the completion of investigations.



CSA members imposed trading and other restrictions on

94 RESPONDENTS THROUGH **61** INTERIM CEASE-TRADE AND ASSET-FREEZE ORDERS.



15 ASSET-FREEZE ORDERS WERE ISSUED RELATING TO **61** RESPONDENTS

including a total of **\$80.9 million** in bank accounts.

INVESTOR WARNINGS AND ALERTS

CSA members issue investor warnings and alerts and update their caution lists through their respective websites, email, social media channels and the CSA website. These alerts inform the public about individuals and companies that are acting in harmful ways. Often, the alerts relate to foreign businesses that are not registered to trade securities in Canada but are targeting Canadian investors.



CSA MEMBERS
ISSUED **236**
INVESTOR ALERTS.

MARKET BANS

As a tool to prevent further misconduct and harm, a tribunal or panel can impose market bans on an individual or company when they have violated securities laws. Individuals or companies can be banned from trading or purchasing, registration, using exemptions, acting as a director or officer, advising in securities, investor relations, or acting in a management or consultative capacity in connection with activities in the market.



44 INDIVIDUALS AND **13** COMPANIES WERE BANNED FROM PARTICIPATING IN THE CAPITAL MARKETS.

52% of individuals and **100%** of companies were banned permanently.

All other bans ranged between 1 and 20 years, with many of those bans extending until the full monetary sanction is paid.

TACKLING THE CHALLENGE OF RECIDIVISM

Repeat offenders, or recidivists*, are a reality in every legal system. CSA members collaborate to identify recidivists across Canada, and impose fair, credible, and progressive sanctions that are proportionate to each case and aim to be more severe than those incurred by first-time violators.

Investigations of potential recidivists can lead to administrative proceedings, quasi-criminal prosecution, or referral of the case to other authorities for criminal prosecution.

*A recidivist is someone sanctioned for breaching securities laws after being previously sanctioned for a securities violation by a securities regulator or the court.

WHISTLEBLOWER PROGRAMS

Several CSA members have whistleblower programs that enable individuals and employees to report possible securities laws violations.

These programs offer key protections, including confidentiality, the option to report anonymously and anti-reprisal measures. These innovative programs continue to provide valuable information about complex securities misconduct that may not otherwise have come to light.

OF THE 8 RECIDIVISTS

that were identified in FY2021/2022



3 WERE PROSECUTED IN COURT AND RECEIVED JAIL SENTENCES

ranging from **18 to 36 months.**



In FY2021/2022, CSA members received a total of

341 TIPS THROUGH THEIR RESPECTIVE PROGRAMS.



Since the inception of its program,

THE ONTARIO SECURITIES COMMISSION HAS AWARDED NEARLY **\$9 MILLION** TO WHISTLEBLOWERS ON SEPARATE MATTERS.

WHAT WE DO AND HOW WE DO IT

The CSA plays a vital role in ensuring that Canada's capital markets are considered among the world's most fair and efficient.

By deploying sophisticated investigative tools and techniques and strengthening connections with law enforcement, financial regulators, global securities regulators and each other, we anticipate and respond to emerging trends in the capital markets. That collaboration is a crucial ingredient in fulfilling our core enforcement mission of protecting investors from unfair, improper or fraudulent practices.

Alberta
Alberta Securities
Commission

British Columbia
British Columbia
Securities
Commission

Manitoba
Manitoba Securities
Commission

New Brunswick
Financial and
Consumer Services
Commission

**Newfoundland
and Labrador**
Office of the
Superintendent of
Securities,
Service
Newfoundland and
Labrador

**Northwest
Territories**
Office of the
Superintendent of
Securities

Nova Scotia
Nova Scotia
Securities
Commission

Nunavut
Nunavut Securities
Office

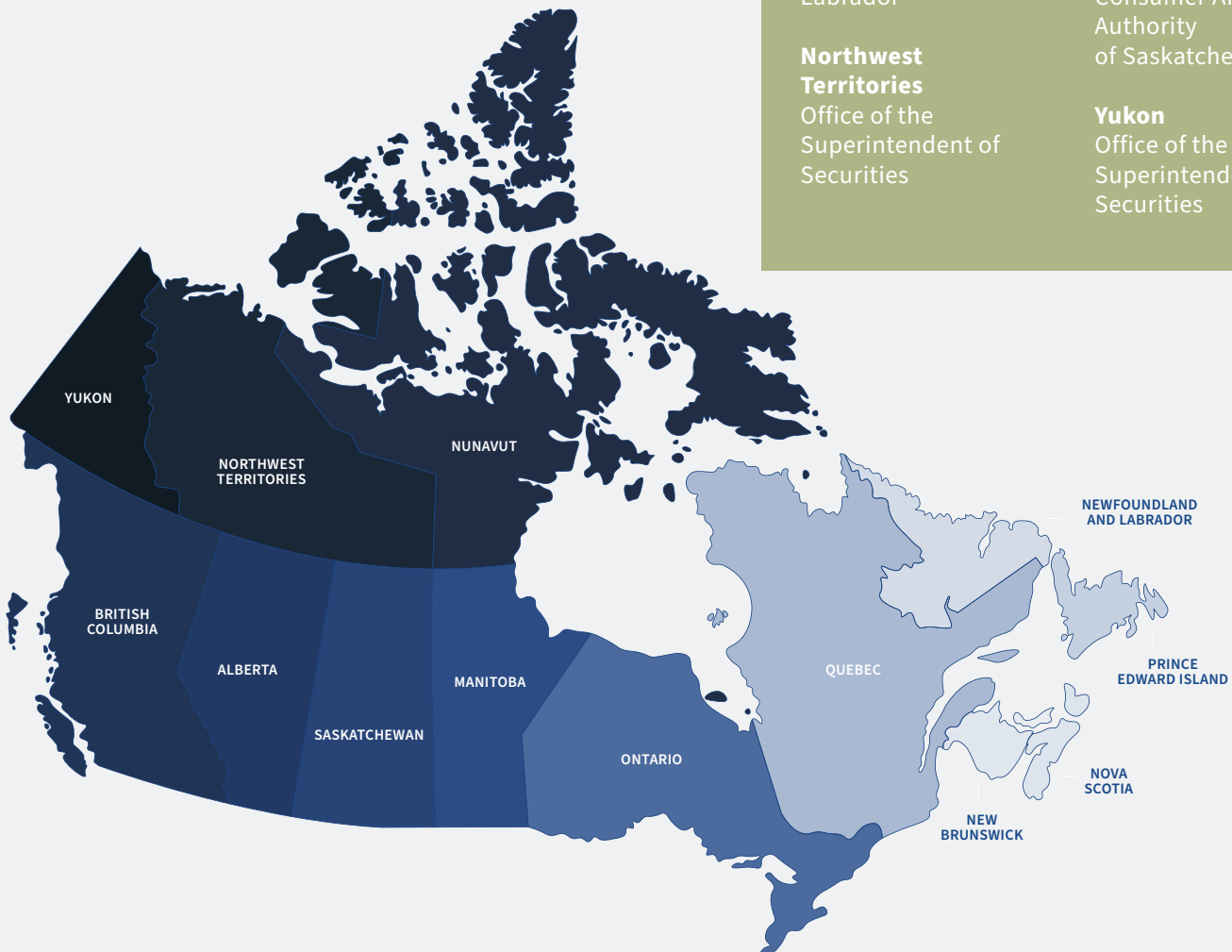
Ontario
Ontario Securities
Commission

**Prince Edward
Island**
Office of the
Superintendent of
Securities

Québec
Autorité des marchés
financiers

Saskatchewan
Financial and
Consumer Affairs
Authority
of Saskatchewan

Yukon
Office of the Yukon
Superintendent of
Securities



CSA MEMBERS' ROLE IN SECURITIES ENFORCEMENT

Given the increasingly complex securities landscape and the evolving nature of threats, enforcement demands a highly collaborative approach to protect Canadian investors.

In addition to local enforcement actions, the CSA Enforcement Committee and related teams coordinate multijurisdictional investigations and share tools and techniques to help members investigate and prosecute securities laws violations that span multiple jurisdictions. The Committee provides a forum to share enforcement intelligence, identify trends and threats, and exchange ideas and processes.

The CSA and its members undertake initiatives through working groups, task forces and forums, such as:

ENFORCEMENT TECHNOLOGY AND ANALYTICS WORKING GROUP

The Working Group facilitates regular, cooperative information sharing on the use of technology by enforcement staff, for such purposes as electronic evidence management, eDiscovery, advanced analytics, surveillance, and work product management issues. In consultation with subject matter experts, the Working Group also identifies technology trends and monitors developments in the field of computer science (i.e. artificial intelligence and machine learning) with a focus on the development and implementation of detection tools.

INVESTMENT FRAUD TASK FORCE (EMERGING ISSUES)

Responds to emerging investment frauds and threats with coordinated and highly targeted initiatives in a timely fashion to protect Canadian investors. Specific focuses include forex and crypto assets trading scams.

COOPERATION WITH FEDERAL AGENCIES WORKING GROUP

Explores new cooperation opportunities with federal agencies to strengthen the detection, prosecution and deterrence of white-collar crime and securities laws violations.

FORUMS AND OTHER INITIATIVES

This includes guiding the development of the Market Analysis Platform; participating in the Cross-Border Microcap Fraud Initiative (CBMFI), which seeks to eradicate pump-and-dump schemes and to take action against the perpetrators; executing best practices through the Virtual Hearings and Investigations Forum, which focuses on making participation easier and more accessible, particularly for those in remote locations; and strategizing on the detection, disruption and deterrence of insider trading and market manipulation.



CSA/ACVM

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