



**Manitoba Financial
Services Agency**



Annual Report 2023

For the Fiscal Year Apr. 1, 2022 to March 31, 2023

**Securities
Commission**

**Real
Estate**

**Financial
Institutions**

A Special Operating Agency of the Province of Manitoba



**MINISTER OF
FINANCE**

**Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8**

Her Honour the Honourable Anita Neville, P.C., O.M.
Lieutenant Governor of Manitoba
Room 235, Legislative Building
Winnipeg, Manitoba
R3C 0V8

May it Please Your Honour:

I have the privilege of presenting for the information of Your Honour the Annual Report of the Manitoba Financial Services Agency for the fiscal year ended March 31, 2023.

Respectfully submitted,

Honourable Cliff Cullen
Minister





**Manitoba
Financial Services
Agency**

Securities Commission
Financial Institutions
Real Estate

The Honourable Cliff Cullen
Minister of Finance
Room 103 Legislative Building
Winnipeg, Manitoba
R3C 0V8

Sir:

I submit for your approval the Annual Report of the Manitoba Financial Services Agency for the fiscal year ended March 31, 2023.

Respectfully submitted,

David Cheop
Chief Administrative Officer
Manitoba Financial Services Agency





TABLE OF CONTENTS

Welcome

<i>Letters of Transmittal</i>	<i>i.</i>
MFSA Mission, Vision, and Values	2.
Message from the CAO	5.
Commission Members	7.
MFSA Management Team	9.
MFSA Organizational Chart	11.
Departmental Reports	13.
Management's Discussion & Analysis	21.
Financial Statements	26.
Agency Statistics	42.
Performance Reporting	46.
Service Standards	47.
The Public Interest Disclosure Act (Whistleblower Protection)	48.
Statutes of the MFSA	49.

This report is available in
alternate formats
upon request to
securities@gov.mb.ca
A PDF version is available at
mbsecurities.ca

Legend



The Manitoba Financial Services Agency (MFSA) is a Special Operating Agency (SOA) of the Province of Manitoba that administers and enforces legislation for the province's securities and insurance sectors, real estate and mortgage industries, credit unions, *caisses populaires*, and trust and loan companies.

The Agency is comprised of
The Manitoba Securities Commission (MSC) and
Financial Institutions Regulation Branch (FIRB).



Numbers at a Glance



65 Investor
Alerts
& Cautions

COMBINED ASSETS OF

\$42
BILLION



Held in Manitoba
Credit Unions and
Caisses populaires

582



Prospectuses
Filed



2,806

Registrations

Under the Real Estate Services Act



02 Statement
of Allegations
Filed

25
THOUSAND



Registrations under
The Securities Act

3,100+



Podcast Downloads

CAO's Message

After several years of dealing with the challenges created by the COVID-19 pandemic, the past year represented a return to normalcy, albeit with a few changes. Staff of the Manitoba Financial Services Agency have returned to the office and many are working on a hybrid basis. Video conferencing has become the norm for most of our Commission meetings and committee work. All in all, our Agency has adapted to the changes the pandemic has brought with little interruption to our activities.

A key achievement of the past year was the merger of the Investment Industry Regulatory Organization of Canada (IIROC) and the Mutual Fund Dealers Association of Canada (MFDA) on December 31, 2022. These two self regulatory organizations (SROs) include the vast bulk of Canadian securities dealers and their combination into a single entity will benefit both industry and, most importantly, the public. The Canadian Securities Administrators (CSA), of which we are a part, announced our intention to create a new SRO to take over the roles of IIROC and the MFDA (and the related investor protection funds) in August 2021, and set two important goals for this initiative. One was to implement a new governance model for the consolidated organization (including a board comprised of majority of independent directors and an independent Chair). A second equally important goal was the creation of an enhanced supervision model for the CSA to oversee the responsibilities delegated to the SRO. Our Staff played a key role on the CSA committees that guided the process to a successful completion of the merger and they continue our involvement in the integration phase of the project.



David Cheop

Chief Administrative Officer

The last year also saw the proclamation of amendments to The Credit Union and Caisses Populaires Act, which made significant changes to the supervision model of the credit union system in this province. Chief among these was the delegation of primary prudential supervision of Credit Union Central of Manitoba to Deposit Guarantee Corporation of Manitoba (DGCM), as an addition to its existing oversight responsibilities for individual credit unions and the caisse populaire. The Agency, through the Financial Institutions Regulatory Branch (FIRB), retains responsibility for supervising DGCM and the overall system. Taken as a whole, these amendments, together with the supporting Prudential Standards and Standards of Sound Busi-

ness Practice adopted by DGCM with the approval of FIRB, are an important step forward in creating a modernized and flexible regulatory structure for this crucial sector of Manitoba's economy.

Investor education is an important focus of the Agency and we have continued to adapt the way we communicate to Manitobans, increasingly relying on social media and podcasts in addition to our more traditional publications. Promoting financial literacy remains an important focus, as is educating the public on potential risks involved in emerging investment products. Unfortunately, some of these are fraudulent in nature, particularly some cryptocurrency schemes, and our Investigation and Enforcement area has devoted significant resources to responding to complaints in this area.

Significant progress was made during the past year in the development of a new mandated form of Offer to Purchase for single family residences and condominium units by registrants under The Real Estate Services Act. A special committee comprised of Agency Staff, real estate lawyers and brokerage representatives has developed these forms, which were published for a second round of comments in late 2022. When adopted, these new forms of Offer will modernize the contractual framework for what is for most Manitobans their most important financial transaction, including facilitating electronic commerce and clarifying the responsibilities of buyers and sellers.

In conjunction with our CSA colleagues, a number of important national initiatives were advanced

during the past year, including the development of rules on total cost reporting, which will provide investment fund investors with the complete costs of holding their funds and proposed enhanced reporting by public issuers on governance and diversity matters. In addition, development of SEDAR+, which will replace several existing electronic filing systems used by securities market participants, made significant progress during the year, with Phase 1 set to launch in the Summer of 2023. The past year also saw the creation of an Investor Advisory Panel to provide the CSA with the perspective of investors on regulatory initiatives, which was appointed after soliciting nominations from across the country.

As we emerged from the pandemic during the past year we are pleased that we have been able to continue to play our part in both protecting and informing Manitoba investors and promoting the financial services sector in this province.



David Cheop

Chief Administrative Officer,
Manitoba Financial Services Agency
Chair and CEO of the MSC

Commissioners

The Manitoba Securities Commission, a division of MFSA, was structured in its present form in 1968 as set out in The Securities Act.

The Commission is divided into two branches; the administrative or functional arm which is made up of full-time employees who conduct the day-to-day operations; and the policy-making group made up of a maximum of seven Order in Council appointees who meet regularly (Commission Members).

Commission Members deal with policy formulation, applications seeking exemptive or other special relief, and perform a judicial function in the hearing of disciplinary proceedings brought pursuant to the several Acts or for the determination of applications.

Commission Members are selected based on nomination or application to the Office of the Minister of Finance, vetted and approved by the Agencies, Boards and Commissions Committee of Cabinet and the Legislation and Strategic Policy Branch. An Order in Council is prepared, and once approved by the Cabinet, is signed by the Lieutenant Governor.

Members may serve up to ten years.



Mr. David Cheop, Q.C.
Chair



Ms. Deborah J. Metcalfe,
Vice-Chair



Mr. Charles Burns



Mr. David Huberdeau-Reid



Ms. Debbie Ammeter



Mr. J.T.(Jack) McJannet, Q.C.



Ms. Linda Vincent

Hearings and Commission Meetings

During the fiscal year 2022/23, the Manitoba Securities Commission held a total of 20 Commission meetings, 9 hearings, and 5 special meetings. Hearing attendance by individual Commissioners is determined on a case by case basis by the Chair, factoring in a variety of considerations.

	DJM	CDB	DAA ¹	JTM	DHR	LAV
COMMISSION MEETINGS	18/20	18/20	15/20	18/20	14/20	15/20
HEARINGS	5	2	5	1	6	3
SPECIAL MEETINGS ²	4	3	1	0	0	2

DJM - Deborah J. Metcalfe

CDB - Charles Burns

DAA - Debbie Ammeter

JTM - Jack McJannet

DHR - David Huberdeau-Reid

LAV - Linda Vincent

¹Debbie Ammeter joined the Commission in 2022, with her first Commission Meeting on May, 25, 2022

²Special meetings are also determined on a case by case basis, and typically do not need to involve all Commissioners.

Management Team



David Cheop
 CAO, MFSA
 CEO & Chair, MSC



Chris Besko
 Director
 General Counsel



Scott Moore
 Superintendent
 FIRB



Keith Schinkel
 Registrar
 Real Estate Division



Kimberly Asano
 Acting Deputy Director
 Registrations ²



Ainsley Cunningham
 Manager
 Education & Communications



Djemal Halilagic
 Deputy-Superintendent
 FIRB



Sue Henderson
 Deputy Director
 Registrations ¹



Marlene Nemes
 Controller



Jason Roy
 Senior Investigator
 Investigations



Patrick Weeks
 Deputy Director
 Corporate Finance



Paula White
 Deputy Director
 Compliance

¹ Sue Henderson retired on Jan. 11, 2023.
² Kim Asano assumed the role of Acting Deputy Director in Jan, 2023.

Gender Diversity in Management and FTE Staff Positions

As a member of the Canadian Securities Administrators, MFSA works to maintain equitable representation of gender diversity within the organization's management structure comparable to national statistics.

		F		M	
2022/23	Commission Members	3	43%	4	57%
	Senior Management	0	0%	2	100%
	Management	4	45%	5	55%

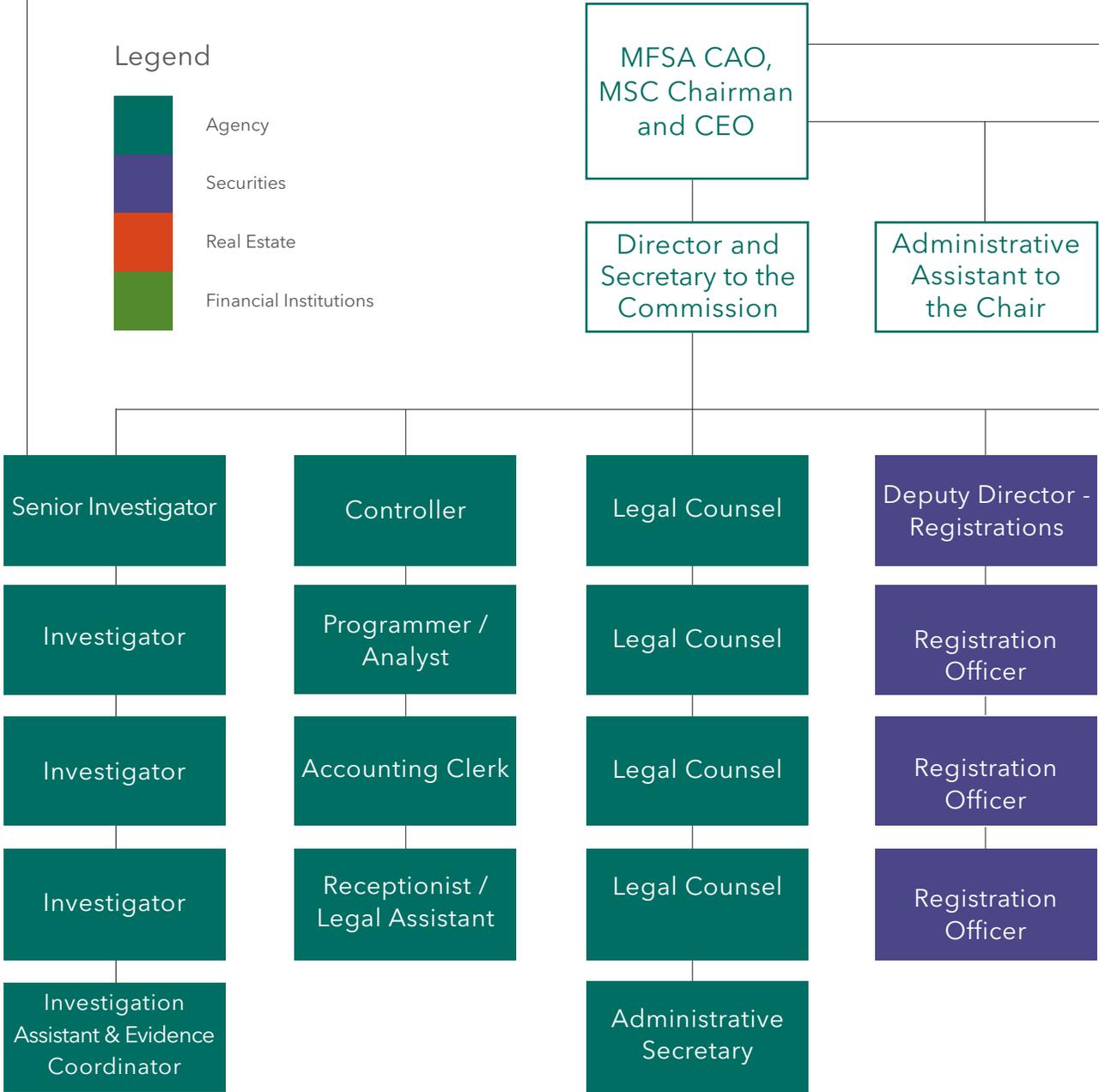
The MFSA employs a combined 48.6 Full-Time Equivalent (FTE) staff positions.

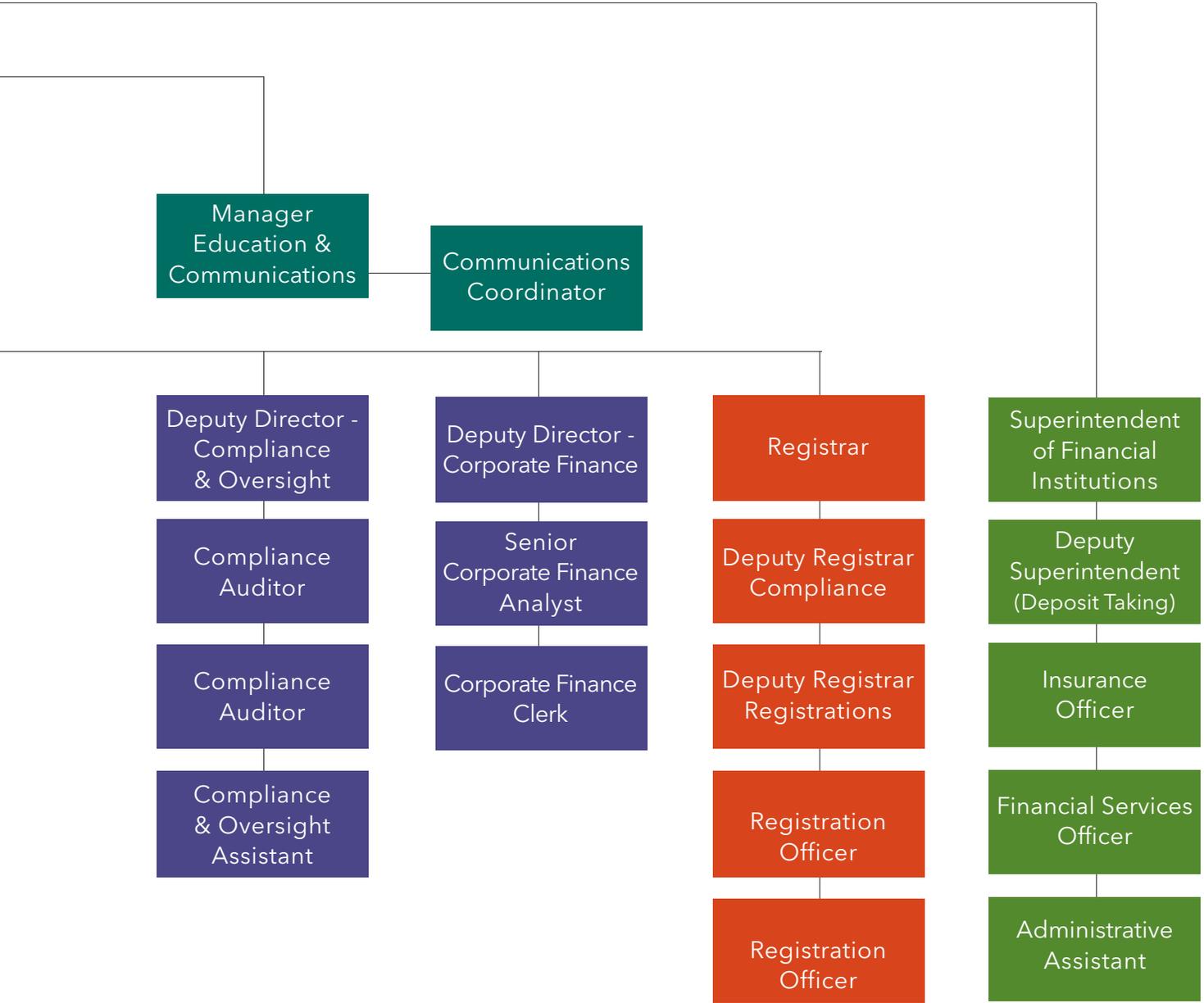
	FTE Staff Positions	Estimated Staff Expenditures (in thousands)	Actual Staff Expenditures (in thousands)	Variance* Over (Under) (in thousands)
2022/2023	48.6	\$4,516	\$4,166	(\$350)
2021/2022	48.6	\$4,245	\$3,973	(\$272)
2020/2021	48.6	\$4,290	\$3,753	(\$537)
2019/2020	48.6	\$4,334	\$3,783	(\$551)
2018/2019	48.6	\$4,241	\$3,446	(\$795)

*Variance (under) due to vacant positions and staff utilizing Voluntary Reduced Work-Week (VRW) days.

Organizational Chart

Legend





In fiscal year 2022-2023 staff of the Education and Communications area shifted to a hybrid office-work from home arrangement. Staff adapted to this new arrangement with ease and programming continued uninterrupted.

Of note for 2022-2023 fiscal year was the development of a second educational podcast – The Great Disconnect. This podcast built on the findings from research done with youth as to how their financial reality is quite different from that of their parent’s generation. The podcast was centred on a group of youth that met and spoke quite candidly about their personal financial situations. Topics covered in the six episode podcast series include:

- the housing crisis
- navigating retirement – the “far-off” future
- debt and how it can affect relationships, our placement in society and intergenerational justice;
- from crypto to meme stocks - money isn’t what it used to be - technological shifts and financial risks behind a system trying to hook youth
- the importance of financial planning

Education & Communications

In June 2022, for Seniors’ month and in recognition of World Elder Abuse Awareness day, MFSA partnered with CJNU - nostalgia radio. In a real team effort, MFSA staff co-hosted an hour-long radio program as well as a series of short on-air interviews with commentary from experts from the MFSA, Clinic, Filmore Riley LLP and St. Mary’s Law LLP.

In March 2023, for Fraud Prevention Month, MoneySmart Manitoba launched two new educational resources that were adapted by the CSA for national use: Don’t Become a Victim of Fraud Infographic and the Fraud Prevention Checklist. MFSA staff also worked with the Winnipeg Police Service on a Facebook live event that explored the proliferation of cryptocurrency scams and what Manitobans should be doing to protect their hard-earned money.

E&C Statistics at a Glance

Social

Twitter Followers:	448
Facebook Followers:	732
Instagram Followers:	161
Posts Per Month:	200+

Podcast

Time to call out Fraud

Total Episodes	Seven
Total Downloads	2,000+

The Great Disconnect

Total Episodes	Six
Total Downloads	1300+

Subscription

Subscribers to the MoneySmart Newsletter:	972
---	-----

Corporate Finance

The Corporate Finance Department has been heavily involved in the modernization and development of SEDAR+. The MSC, together with all of the other jurisdictions in the CSA have been working to create a new web based electronic filing and data access system that will replace the current legacy SEDAR. When it launches in mid 2023, SEDAR+ will be used by all market participants to file, disclose, and search for issuer information in Canada's capital markets.

In the years ahead, SEDAR+ will migrate all of the CSA's legacy systems into SEDAR+ in three phases:

Phase I – launching in mid 2023 – will combine legacy SEDAR, the Cease Trade Order database, the Disciplined List database, the Reporting Issuers list, and paper filings.

Phase II will replace the System for Electronic Disclosure by Insiders, or SEDI.

Phase III will replace the National Registration Database and National Registration Search.

SEDAR+ will be easier to use and will be more intuitive than current CSA systems, and will be beneficial not only to filers, but to investors. Investors will be able to create and subscribe to watch lists, will have better search functionality, and will have access to educational material.

During the fiscal year, Corporate Finance continued to introduce new regulatory initiatives to reduce burden



and to improve access to capital markets without compromising investor protection.

We continued to be a key member of both the CSA Corporate Finance Steering Committee and the Investment Funds Steering Committee. The committees include members from other CSA jurisdictions and their mandates are to provide guidance and direction regarding policy initiatives and operational matters. We participated in several other CSA Committees including the Investment Funds Operational Committee, Prospectus Systems Committee, and the Diversity Policy Project.

Legal

The Legal department assists all areas of the MFSA meet their individual mandates, including support in developing policy, rules, and legislation. This included the ongoing refinement of policies to allow MFSA staff to effectively provide services and meet its regulatory oversight role while reflecting changes to work place practices. The refinement of internal policies have resulted remaining productive and responsive to stakeholder needs while being flexible on how our work gets done. Policies continue to be refined to allow the Commission to conduct enforcement proceedings via video-conference.

On the Securities side, we have been involved with other CSA members in the review of and implementation of new capital raising exemptions and the reduction of regulatory burden on issuers of securities without compromising investor protections. In registration matters, we supported the final implementation of the Client Focused Reforms to registration requirements that will promote greater investor protections, the modernization of registration forms, and coordinating exemptive relief required to allow the registration of cryptoasset trading platforms.

In the areas of capital formation and technology driv-

en changes to financial markets, the Legal department remains actively engaged with CSA colleagues as part of the CSA Regulatory Sandbox and the CSA Cryptoasset Platform Taskforce, which looks at new business models and technologies that are changing the financial markets and their impacts on regulation. We have been actively looking at cryptoassets and working with local participants who are involved in that area.

The Legal department has also been deeply involved in supporting the necessary regulatory changes needed for the completion of the amalgamation of the MFDA and IIROC into the new entity now known as CIRO.

On the Real Estate and Mortgage Brokerage side, we have assisted in developing legislation and regulations, and in particular assisted in the preparation and consultations for the regulations under the Real Estate Services Act and Mortgage Brokers Act. We believe the modernization of this legislation will enhance the protection of consumers participating in the real estate and mortgage markets.

As part of its mandate to protect Manitobans in their dealings in the securities, real estate, and mortgage markets, the legal staff pursue enforcement proceedings, both before the Commission itself and in the provincial courts.

Legal Statistics 2022-23

Exemptions Orders:	13	Statements of Allegations Issued:	2
Investigation Orders:	2	Enforcement Orders Filed:	2
Financial Reporting Orders:	11	Settlement Agreements Completed:	1
Cease Trade Orders:	0	Decision Documents Published:	3
Miscellaneous Orders:	1	Pending Provincial Court Hearings:	1
Compliance Orders:	4		

For more expansive Legal statistics, see page 43.

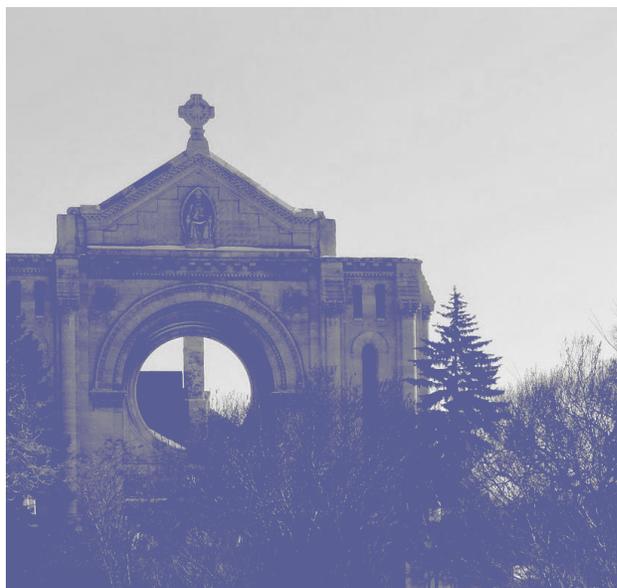
Compliance & Oversight

In 2022, Compliance Staff, along with other members of the CSA, IIROC and the MFDA (now CIRO) conducted a sweep review of registrant conflict of interest practices. The objective of the review was to assess registrant compliance with the conflicts of interest requirements and the controls they have implemented to address material conflicts in the best interest of their clients. A joint report will be published by the CSA and CIRO providing details of the deficiencies identified and some suggested best practices.

The remaining Client Focused Reform provisions came into effect on December 31, 2021. These provisions involve rule amendments to Relationship Disclosure, KYC, Suitability, Product Due Diligence, Know Your Product and Misleading Communications. We will be participating in the Phase II coordinated review to assess for compliance with the new requirements in fall 2023.

Throughout the past year, Compliance Staff, along with our CSA colleagues, carried out a significant amount of work related to New SRO and CIPF. On November 24, 2022 the materials for the recognition of New SRO and approval of CIPF were published, with an effective date of January 1, 2023. Since that time, we are continuing to execute the remaining transition and implementation work for both organizations, and complete the remaining solutions set out in CSA Position Paper 25-404 New Self-Regulatory Organization Framework.

As part of the CSA Derivatives Committee, Compliance Staff participate in the work to fully implement a regime for over-the-counter derivatives in Canada. In June of 2022, based on feedback from various market participants and ongoing international developments, the MSC published proposed amendments to our local trade reporting and product determination rules. Work also advanced National Instrument



93-101 Derivatives: Business Conduct, which will implement business conduct standards for OTC derivatives markets.

Investigations & Enforcement

During the fiscal year 2022/23, the MFSA continued to participate in the CSA Investment Fraud Task Force (IFTF), which identifies and addresses a wide range of emerging threats. Current fraud trends are largely related to offshore cryptocurrency and Forex fraud. The IFTF creates strategies for disrupting, deterring and preventing investment fraud and addressing other emerging threats. The IFTF continues monitoring the market activity related to digital asset marketplaces and products to identify new frauds and scams.

The MFSA issued 65 Investor Alerts warning the public about investment-related scams. Most of the alerts were related to offshore Forex and cryptocurrency trading scams that continue to target Manitobans. Investor Alerts are an important tool for the public to review when researching investment offers, along with checking a firm's registration.

In March 2023, an ongoing investigation into cryptocurrency fraud led MSC investigators to uncover a list of 58 possible fraud victims residing in Manitoba. The MSC proactively reached out to these individuals to determine if they were in fact victims of fraud, and to warn them of the dangers of investing any

additional money. Of the 58 identified, MSC staff were successful in reaching 54 individuals, all who had been victimized through 29 separate online platforms. While conducting this investigation, an additional five scams were identified affecting eight victims. Losses ranged from \$320 up to \$206,000 per individual. The total losses identified in this one operation totaled \$710,000.

Real Estate-related complaints have continued to increase in 2022 and into 2023, reflecting a continued increase in market activity/transactions.

In 2022-23, the MFSA opened a total of 568 complaint files, of which 263 pertained to real estate, mortgage brokers, or property managers. The continued increase of offshore investment fraud accounts for the vast majority of securities complaints.

Investigations Statistics 2022-23

SECURITIES

Complaints / Inquiries to Investigation and Enforcement: 291

Formal Investigation Files Opened: 11

REAL ESTATE

Complaints / Inquiries to Investigation and Enforcement: 256

Formal Investigation Files Opened: 6

For more expansive Investigations statistics, see pages 43 and 44.

Registrations

In fiscal 2022/23, Registrations has continued to work diligently with its CSA partners. Over this period, Registrations processed over 53,000 submissions.

Registrations and the CSA discussed and operationalized processes for the review of registration applications for Crypto-asset Trading Platforms in consultation with the CTP Taskforce to coordinate registration of the platforms with exemptive relief being issued to allow for their operation. This included a discussion on interpretation of “designated trust account” relative to a CTP.

Registrations also continued its work with the Client Focused Reforms implementation committee and published updated FAQs to assist stakeholders.

Registrations continued discussing issues arising from various work from home arrangements being implemented by registrants and how they could be properly supervised and reflected in NRD. This included a blast email concerning situations where there is no specific branch location for a registrant working remotely.

Registrations processed the review of notice filings for Crowdfunding Platforms relying on registration exemptions in NI 45-110 Start-Up Crowdfunding Registration and Prospectus Exemptions through NRD.

Registrations provided transitional guidance concerning the final amendments to NI 33-109 Registration Information - Modernizing Registration Information Requirements, Clarifying Outside Activity Reporting



and Updating Filing Deadlines that became effective on June 6, 2022. This included blast emails to industry concerning required reporting of business titles.

On January 1, 2023, the Mutual Fund Dealers Association of Canada (MFDA) and the Investment Industry Regulatory Organization of Canada (IIROC) became one organization, temporarily known as the New Self-Regulatory Organization of Canada (New SRO). As part of the New SRO amalgamation, a commitment was made to allow for firms to become registered as both an investment dealer and a mutual fund dealer in a single legal entity (dual-registered firm). We have been actively involved in developing procedures to register dual-registered firms on NRD. The first dual-registered firm was registered in late March 2023.

Real Estate

On January 1, 2022, the new Real Estate Services Act (RESA) and accompanying Real Estate Services Regulation came into force. RESA replaced the existing Real Estate Brokers Act and greatly modernizes the regulatory structure that governs the real estate industry in Manitoba.

Staff of the Real Estate Division were involved in a number of initiatives related to the implementation of RESA over the year. These initiatives include development and modification of IT system functionality, development of new education for registrants and updating of existing courses, as well as development of new and revision of existing policies and procedures.

Along with these initiatives, Real Estate Division staff were involved in a committee that was tasked with reviewing the existing offers to purchase and property

disclosure statement prescribed in RESA that registrants must use in the sale of completed single-family residential houses and completed single-family residential condominium units. The current forms have remained largely unchanged since the 1990s.

The committee to review the offers was struck by The Manitoba Securities Commission and was comprised of representatives of the Manitoba Bar Association, the Manitoba Real Estate Association and the Commission. Proposed revised forms developed by the committee were circulated to the legal profession and real estate brokerage industry for preliminary review in early 2022 and again in the fall of that year. After considering the submissions received the committee revised the forms based on their consideration of the submitted comments. The revised forms will be submitted to the Commission for review later this year.

Real Estate Statistics 2022-23

Registrations

Registrations Under the RESA:	2,806
Registrations Under The Mortgage Brokers Act:	512

Education

Salesperson Pre-Licensing Education Enrollments:	520
Broker Pre-Licensing Education Enrollments:	17
Re-Licensing Education Completions:	2324

Financial Filings & Compliance Audits

Registered Brokerage Reports Reviewed:	416
Final Close-Out Reports Reviewed:	17
Brokerages Suspended for Failure to File:	14

For more expansive Real Estate statistics, see page 44.

Financial Institutions Regulation Branch

Following passage of Bill 22, The Credit Unions and Caisses Populaires Amendment Act, in May 2021, transition of the prudential oversight of CUCM to DGCM began in July 2022. As the Registrar of Credit Unions (FIRB) now has significantly expanded oversight powers over DGCM in order to ensure they fulfil their regulatory role, FIRB continues to work collaboratively with DGCM. This specifically includes the development of standards of sound business practice and prudential standards. Standards may address financial matters, such as capital and liquidity, as well as governance.



FIRB Statistics at a Glance

Insurance

Agent, Broker and Adjuster Licenses Issued:	26,127
Number of Federal and Provincial Licensed Insurers:	212

Credit Unions

Credit Unions:	18
<i>Caisses populaires</i> :	1
Combined Assets:	42.3 billion

Trust & Loans

Trust and Loan Corporations - Federal:	50
- Extra-Provincial:	4

For more expansive FIRB statistics, see page 45.



Manitoba Financial
Services Agency

Management's Discussion & Analysis

for the year ended March 31, 2023

The following is a discussion and analysis for the operating results of the Manitoba Financial Services Agency (MFSA) for the year ended March 31, 2023. It should be read in conjunction with the Agency's audited financial statements.

October 1, 2012 by Order in Council, the Manitoba Financial Services Agency, a Special Operating Agency (SOA), was established. The Manitoba Securities Commission (Commission) and the Financial Institutions Regulation Branch (FIRB) merged to form the new agency. The Commission and FIRB now operate as divisions of MFSA.

The financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board.

Management's Discussion and Analysis

Results of Operations

Annual Surplus

Annual surplus for the year ended March 31, 2023 was \$20.6 million, an increase over the prior year by \$2.4 million. Revenues of \$26.4 million exceeded budgeted revenue by \$4.5 million. Expenses of \$5.8 million came in under budget by \$655. The net result was annual surplus exceeded budgeted annual surplus by \$5.1 million.

Revenue

The Agency exceeded its revenue targets by \$4.5 million or 20.5% because of increased market activity in 3 areas. See table below for fiscal year end 2021/22 – 2022/23 revenue details.

Revenue (000's)		2023	% of Total	2022	% of Total	2023% Increase/ (Decrease) from 2022
Corporate Finance Fees	\$	11,915	45%	\$ 12,593	53%	(5.7%)
Registration Fees		7,682	29%	7,310	31%	5.1%
Investment Income		2,582	10%	75	-%	3,342.7%
FIRB Fees		2,267	9%	2,180	9%	4%
Real Estate Fees		1,662	6%	1,591	7%	4.5%
Miscellaneous Income		164	1%	78	-%	110.3%
Legal Fees		111	-%	120	-%	(8.1%)
	\$	26,383	100%	\$ 23,947	100%	10.2%

Corporate finance fees and registration fees accounted for 74% of the Agency's 2023 revenues. Corporate finance fees consist of prospectus fees and fees related to filings such as financial statements, annual information forms and rights offerings. Registration Fees are comprised of fees for registration of advisors, dealers and representatives. FIRB fees consist of Insurance fees, Credit Union Fees and Trust and Loan Fees.

Expenses

Overall, total expenses for fiscal year 2023 were \$5.8 million, an increase of \$43 over fiscal year 2022. See table below for details.

Expenses (000's)*	2023	% of Total	2022	% of Total	2023 % Increase/ (Decrease) from 2022
Salaries and Benefits	\$ 4,166	72%	\$ 3,973	69%	4.9%
Operating Expenses	1,604	28%	1,759	31%	(8.8%)
Amortization	15	-%	10	-%	50%
	\$ 5,785	100%	\$ 5,742	100%	.7%

* For details of expenses refer to the Statement of Operations and Accumulated Surplus in the Audited Financial Statements

Total expenses were \$5.8 or 10.2% below budget. Explained variances in salaries and benefits and operating expenses are below.

Salaries and Benefits

Overall, salaries and benefits increased by 4.9% or \$193 over the previous year. For the fiscal year ending March 31, 2023, salaries and benefits were 7.8% below budget due to vacancies and the impact of the Voluntary Reduced Workweek program.

Operating Expenses

Operating expenses for the fiscal year were 8.8% lower than last year and were under budget by \$297 or 15.6% primarily due to:

- Staff Development and Professional Dues - under budget by \$13 due to lower staff development costs.
- Contract Services - under budget by \$161 due to lower than expected National Systems Renewal Project costs and internet development.
- Education/Information Initiatives – under budget by \$62 due to the timing of initiatives.
- Office Materials and Supplies – under budget by \$29 due to lower than expected printing costs and office supply costs.
- Travel – under budget by \$44 due to lower than expected travel taken.

Operating expenses that were over budget are as follows:

- CSA* Initiatives - over budget by \$11 due to higher than expected initiative costs.
- Professional Services – over budget by \$22 due to higher than expected consulting costs.

*Canadian Securities Administrators

Capital Expenditures

Capital expenditures for the 2022-2023 fiscal year were \$104. Capital expenditures are financed through operations.

Liabilities

Accrued liabilities were \$97 for the year ending March 31, 2023. This balance represents accrued vendor obligations. Accrued vacation and severance liabilities were \$438 and \$532 respectively as at March 31, 2023 (March 31, 2022 – \$438 and \$594). Accrued salaries and benefits were \$74 for the year ending March 31, 2023 (March 31, 2022 – \$57). Public Sector Accounting Standards require the recognition of a liability for sick pay benefit obligations that accumulate but do not vest. The Agency has not recorded an accrued sick pay benefit obligation as it has been determined to be immaterial.

Liquidity

Liquidity is an organizations ability to meet financial obligations as they come due. Liquidity management provides the certainty that funds will be available to honour all commitments and involves continuous forecasting and monitoring of expected cash flows. The Agency requires liquidity principally to finance its operations and capital expenditures. Its objective is to have sufficient funds available to maintain its operations, without impairment, should revenue decrease below expenses.

The Agency had cash and cash equivalents of \$98.8 million as of March 31, 2023.

The investment of \$269 is valued at cost and represents an investment held with the Province of Manitoba in a trust account earning a market rate of interest. The utilization of the investment is to repay employee vacation and severance balances which existed at the time the Commission became a Special Operating Agency.

As at March 31, 2023, the Agency has \$750 in its reserve fund to finance extraordinary expenses that are regulatory in nature and for unexpected changes in market activity that have a negative effect on revenues. Invested with the Province of Manitoba Treasury Division allows the Agency the flexibility to access these funds when needed.

2023/2024 Overview

For the fiscal year ending March 31, 2024, the Agency has budgeted revenue of \$23.1 million and budgeted expenses of \$7.2 million. As of April 1 2023, Office of the Superintendent - Pension Commission will be joining the Manitoba Financial Services Agency adding four staff and \$615 in revenue.

The Agency will continue to monitor market activity closely, which has an impact on the financial condition of the Agency. Budgeted revenues will be subject to variability.

Information Technology

As of March 31, 2023, the Agency had the following internal systems in place:

- Manitoba Securities Commission Information System 2.0 (MSCIS 2.0)
- Real Estate On-line Registration System (ROLS) - An online system that gives registrants the ability to register on-line and use a credit card option for payments.
- Consumer Affairs Tracking System - Database for entering insurance agents, companies and adjusters.
- ISM – Data base for Credit Unions
- The Agency uses Dynamics Great Plains and Management Reporter, an accounting and financial reporting software package for all its accounting and reporting needs. For Accounts Payable and Payroll, the Agency utilizes SAP with the department of Finance.
- The Agency uses Request Tracker to track the various changes that are requested for SEDAR and MSCIS 2.0.

As well, the Commission division interfaces with, and uses, the following national CSA systems:

- System for Electronic Data Analysis and Retrieval (SEDAR)
- National Cease Trade Order database (CTO)
- System for Electronic Disclosure by Insiders (SEDI)
- National Registration Database (NRD)
- Disciplined Persons, and
- Regulatory Fee Guide for SEDAR

These systems allow the Commission to receive, store and access pertinent information and documentation filed with respect to *The Securities Act*, *The Commodity Futures Act*, *The Real Estate Services Act* and *The Mortgage Brokers Act*. Maintenance and development of these internal and external systems insure that daily operations run effectively and efficiently.

The National Systems Renewal Project – NSRP – is an initiative of the Canadian Securities Administrators (CSA), which is comprised of the 13 securities regulators across Canada including The Manitoba Securities Commission (MSC). A multi-year project to update the core systems that individuals and companies use to file material with CSA jurisdictions. These include:

- SEDAR, public companies and other issuers use this system to file prospectuses, continuous disclosure material (such as financial statements) and material change reports, among other documents.
- NRD, used by registrants to file applications for registration and other material.
- SEDI, used by insiders to file trading reports.

The new system (SEDAR+) is national in scope, used by individuals and companies as a single point of access to all 13 CSA jurisdictions, including the MSC, and is crucial to the operation of Canada's capital markets. Fees collected by the CSA over the years from filers are paying for the costs of NSRP itself, which is in the tens of millions of dollars. However, the MSC will need to update the interfaces it has with SEDAR+ that are used to download and upload documents and information to our system.



MFSA Financial Statements

for the year ended March 31, 2023

- 27. Management's Responsibility for Financial Reporting
- 28. Independent Auditor's Report
- 30. Financial Statements
- 34. Notes to Financial Statements



**Manitoba
Financial Services
Agency**

Securities Commission
Financial Institutions
Real Estate

Management's Responsibility for Financial Reporting

The accompanying financial statements are the responsibility of the management of the **MANITOBA FINANCIAL SERVICES AGENCY** and have been prepared in accordance with Canadian public sector accounting standards. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available to the audit report date.

Management maintains internal controls to properly safeguard the assets and to provide reasonable assurance that the books and records from which the financial statements are derived accurately reflect all transactions and that established policies and procedures are followed.

The responsibility of the external audit is to express an independent opinion on whether the financial statements of the **MANITOBA FINANCIAL SERVICES AGENCY** are fairly represented in accordance with Canadian public sector accounting standards. The Independent Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management of **Manitoba Financial Services Agency**:

David Cheop
Chair and CEO

Marlene Nemes, CPA, CMA
Controller

May 24, 2023



Tel.: 204 956 7200
Fax.: 833 888 1678
Toll Free: 800 268 3337
www.bdo.ca

BDO Canada LLP
201 Portage Avenue - 26th Floor
Winnipeg MB R3B 3K6 Canada

Independent Auditor's Report

To The Special Operating Agencies Financing Authority

Opinion

We have audited the financial statements of Manitoba Financial Services Agency (the "Agency"), which comprise the statement of financial position as at March 31, 2023, and the statements of operations and accumulated surplus, change in net financial assets, and cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2023, and its results of operations, change in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Agency in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Agency or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Agency's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Agency's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Agency to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants
Winnipeg, Manitoba
May 26, 2023

MANITOBA FINANCIAL SERVICES AGENCY

Statement of Financial Position (in thousands)

March 31	2023	2022
Financial Assets		
Cash and cash equivalents (Note 5)	\$ 98,753	\$ 79,645
Accounts receivable (Note 6)	1,417	42
Portfolio investments	1,019	1,019
	<u>101,189</u>	<u>80,706</u>
Liabilities		
Accounts payable and accrued liabilities	97	79
Accrued vacation entitlements	438	438
Accrued salaries and benefits	74	57
Employee future benefits (Note 7)	532	594
	<u>1,141</u>	<u>1,168</u>
Net financial assets	<u>100,048</u>	<u>79,538</u>
Non-financial Assets		
Tangible capital assets (Note 8)	118	29
Prepaid expenses	79	80
	<u>197</u>	<u>109</u>
Accumulated surplus	<u>\$ 100,245</u>	<u>\$ 79,647</u>

Designated assets (Note 9)
Commitments (Note 10)

The accompanying notes are an integral part of these financial statements.

MANITOBA FINANCIAL SERVICES AGENCY

Statement of Operations and Accumulated Surplus (in thousands)

For the year ended March 31	2023	2023	2022
	Budget	Actual	Actual
Revenue			
Fees	\$ 21,799	\$ 23,637	\$ 23,791
Interest	35	2,582	75
Miscellaneous	61	164	81
	21,895	26,383	23,947
Expenses			
Amortization - capital assets	23	15	10
CSA initiatives*	127	138	113
Contract services	453	292	427
Education/Information initiatives	109	47	76
Miscellaneous	39	37	34
Office materials and supplies	67	38	52
Premises	620	617	619
Professional services	191	214	260
Research resources	82	74	77
Salaries and benefits	4,516	4,166	3,973
Staff development and professional dues	51	38	30
Telecommunications	81	72	70
Travel	81	37	1
	6,440	5,785	5,742
Annual surplus	15,455	20,598	18,205
Accumulated surplus , beginning of year	76,727	79,647	61,442
Accumulated surplus , end of year	\$ 92,182	\$ 100,245	\$ 79,647

* Canadian Securities Administrators

The accompanying notes are an integral part of these financial statements.

MANITOBA FINANCIAL SERVICES AGENCY

Statement of Change in Net Financial Assets (in thousands)

For the year ended March 31	2023		2023		2022
	Budget	Actual	Actual	Actual	
Annual surplus	\$ 15,455	\$ 20,598	\$		18,205
Tangible Capital Assets					
Acquisition of tangible capital assets	(90)	(104)			(8)
Amortization of tangible capital assets	23	15			10
Net change in tangible capital assets	(67)	(89)			2
Other Non-financial Assets					
Decrease (increase) in prepaid expense	-	1			(7)
Net acquisition of other non-financial assets	-	1			(7)
Increase in net financial assets	15,388	20,510			18,200
Net financial assets, beginning of year	76,584	79,538			61,338
Net financial assets, end of year	\$ 91,972	\$ 100,048	\$		79,538

The accompanying notes are an integral part of these financial statements.

MANITOBA FINANCIAL SERVICES AGENCY

Statement of Cash Flows (in thousands)

For the year ended March 31	2023	2022
Cash provided by (applied to):		
Cash Flows from Operating Activities		
Annual surplus	\$ 20,598	\$ 18,205
Amortization of tangible capital assets	15	10
	20,613	18,215
Changes in non-cash working capital balances		
Accounts receivable	(1,375)	(18)
Prepaid expenses	1	(7)
Accounts payable and accrued liabilities	18	(36)
Accrued vacation entitlements	-	27
Accrued salaries and benefits	17	14
Employee future benefits	(62)	(8)
	19,212	18,187
Cash Flows from Capital Activities		
Acquisition of capital assets	(104)	(8)
	19,108	18,179
Increase in cash and cash equivalents	19,108	18,179
Cash and cash equivalents, beginning of year	79,645	61,466
Cash and cash equivalents, end of year	\$ 98,753	\$ 79,645
Supplementary Information		
Interest received	\$ 1,219	\$ 49

The accompanying notes are an integral part of these financial statements.

MANITOBA FINANCIAL SERVICES AGENCY

Notes to Financial Statements (in thousands)

For the year ended March 31, 2023

1. Nature of Organization

Effective April 1, 1999 the Lieutenant Governor in Council designated the Manitoba Securities Commission (“Commission”) as a special operating agency under *The Special Operating Agencies Financing Authority Act* (C.C.S.M. c.S185) by Order in Council No. 144/1999. The Order also gave approval to the Special Operating Agencies Financing Authority and the Minister of Consumer and Corporate Affairs, being the Minister responsible for the Commission, at that time, to enter into a Management Agreement with respect to the Agency.

A Management Agreement between the Financing Authority and the Minister of Consumer and Corporate Affairs assigns responsibility to manage the assets transferred to the Manitoba Securities Commission in delivering regulated services to clients. The Manitoba Securities Commission subsequently came under the umbrella of the Finance Department with the Minister of Finance responsible for the Agency.

The Manitoba Financial Services Agency, a Special Operating Agency (SOA), was established as of October 1, 2012 by Order in Council. The Manitoba Securities Commission (Commission) was merged with Financial Institutions Regulation Branch (FIRB) to form The Manitoba Financial Services Agency (MFSA). The Commission and FIRB now operate as divisions of the MFSA. The Chief Administrative Officer of the MFSA is also the Chair of the Commission. The Minister of Finance continues to be responsible for the Agency.

2. Basis of Accounting

The financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board.

3. Significant Accounting Policies

Revenue

Fees and cost recoveries are recognized when received. Investment income is recorded in accordance with terms of the related investment.

Expenses

- (a) All expenses incurred for goods and services are recorded on an accrual basis.
- (b) Government transfers are recognized as expenditures in the period in which the transfers are authorized and all eligibility criteria have been met.

MANITOBA FINANCIAL SERVICES AGENCY

Notes to Financial Statements (in thousands)

For the year ended March 31, 2023

3. Significant Accounting Policies (continued)

Financial Assets

Portfolio investments are investments that are capable of reasonably prompt liquidation and are recognized at cost.

Liabilities

Liabilities are present obligations as a result of transactions and events occurring prior to the end of the fiscal year. The settlement of the liabilities will result in the future transfer or use of assets or other form of settlement. Liabilities are recorded at the estimated amount ultimately payable.

Non-financial Assets

- (c) Prepaid expenses are payments for goods or services which will provide economic benefit in future periods. The prepaid amount is recognized as an expense in the year the goods or services are consumed.
- (d) Tangible capital assets are recognized at cost. Cost includes the purchase price as well as other acquisition cost. Capital assets are recorded at cost and amortized over their useful lives as follows:

Office equipment	20% straight-line
Furniture and fixtures	20% straight-line
Leasehold improvements	10% straight-line
Computer hardware	20% straight-line
Computer software	20% straight-line

The half-year rule is used in the year of acquisition.

Measurement Uncertainty

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

MANITOBA FINANCIAL SERVICES AGENCY

Notes to Financial Statements (in thousands)

For the year ended March 31, 2023

4. Financial Instruments and Financial Risk Management

Financial instruments are classified into one of the two measurement categories: (a) fair value; or (b) cost or amortized cost.

The Agency records its financial assets and liabilities at cost, which include cash and cash equivalents, accounts receivable and portfolio investments. The Agency also records its financial liabilities at cost, which include accounts payable, accrued liabilities, accrued vacation entitlements, accrued salaries and benefits, and employee future benefits.

Financial Risk Management Overview

The Agency has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; and interest rate risk.

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Agency to credit risk consist principally of cash and cash equivalents, accounts receivable, and portfolio investments.

The maximum exposure of the Agency to credit risk at March 31 is:

	2023		2022
Cash and cash equivalents	\$ 98,753	\$	79,645
Accounts receivable	1,417		42
Portfolio investments	1,019		1,019
	\$ 101,189	\$	80,706

Cash, cash equivalents and portfolio investments: The Agency is not exposed to significant credit risk as the cash and term deposits are primarily held by the Minister of Finance.

MANITOBA FINANCIAL SERVICES AGENCY

Notes to Financial Statements (in thousands)

For the year ended March 31, 2023

4. Financial Instruments and Financial Risk Management (continued)

Accounts receivable: The Agency is not exposed to significant credit risk as the payment in full is typically collected when it is due. The Agency establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

Management has determined that no allowance for doubtful accounts is required as at March 31, 2023 (Nil in 2022).

Liquidity Risk

Liquidity can be defined as an organization's ability to meet its financial obligations as they come due.

The Agency manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to funds on deposit.

5. Cash and Cash Equivalents

The Agency invests all surplus cash in short-term deposits with the Province of Manitoba, which are made up of 3-day to 188-day callable term deposits bearing interest between 3.97% and 4.71%.

MANITOBA FINANCIAL SERVICES AGENCY

Notes to Financial Statements (in thousands)

For the year ended March 31, 2023

6. Accounts Receivable

	2023		2022
Accrued interest	\$ 1,392	\$	30
Trade	25		12
	\$ 1,417	\$	42

7. Employee Future Benefits

Pension Benefits

Employees of the Manitoba Financial Services Agency are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the Agency, through the Civil Service Superannuation Fund (CSSF).

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Agency transferred to the Province of Manitoba the pension liability for its employees.

Commencing April 1, 2001, the Agency was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2023 was \$239 (\$227 in 2022). Under this Agreement, the Agency has no further pension liability.

Severance Benefits

Effective April 1, 1998 or the date of their creation, whichever is later; SOAs began recording accumulated severance pay benefits for their employees. The amount of their severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2020. The report provides a formula to update the liability on an annual basis. The special operating agencies' actuarially determined net liability for accounting purposes as at March 31, 2023 is \$532 (\$594 in 2022). The actuarial loss of \$66 based on actuarial reports is being amortized over the 15 year expected average remaining service life (EARS�) of the employee group.

MANITOBA FINANCIAL SERVICES AGENCY

Notes to Financial Statements (in thousands)

For the year ended March 31, 2023

7. Employee Future Benefits (continued)

Significant long-term actuarial assumptions used in the March 31, 2020 valuation, and in the determination of the March 31, 2023 present value of the accrued severance benefit obligation were:

Annual rate of return	3.20%
Assumed salary increase rate:	
Annual productivity increase	1.00%
Annual general salary increase	2.50%
	3.50%

The severance benefit liability at March 31 includes the following components:

	2023		2022
Accrued benefit liability			
Balance, beginning of year	\$ 669	\$	686
Benefits accrued	21		22
Interest on accrued benefits	27		26
Severance paid	(119)		(65)
Balance, end of year	598		669
Less unamortized actuarial losses	\$ (66)		(75)
Severance benefit liability	\$ 532	\$	594

The total expenses related to severance benefits at March 31 include the following components:

	2023		2022
Interest on obligation	\$ 21	\$	22
Current period benefit cost	27		26
Amortization of actuarial losses over EARSL	(110)		(56)
Total expense related to severance benefit	\$ (62)	\$	(8)

The Agency provides sick leave benefits for employees that accumulate but do not vest. The accrued benefit obligation related to sick leave entitlement earned by employees is determined using a valuation model developed by an actuary. The Agency has not recorded an accrued sick pay benefit obligation as it has been determined to be immaterial.

MANITOBA FINANCIAL SERVICES AGENCY

Notes to Financial Statements (in thousands)

For the year ended March 31, 2023

8. Tangible Capital Assets	2023			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Office equipment	\$ 69	\$ 2	\$ -	\$ 71
Furniture and fixtures	229	4	-	233
Leasehold improvements	86	98	-	184
Computer hardware	147	-	-	147
Computer software	877	-	-	877
	1,408	104	-	1,512
Accumulated Amortization				
Office equipment	67	1	-	68
Furniture and fixtures	228	2	-	230
Leasehold improvements	68	10	-	78
Computer hardware	146	-	-	146
Computer software	870	2	-	872
	1,379	15	-	1,394
Net book value	\$ 29	\$ 89	\$ -	\$ 118
				2022
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Office equipment	\$ 69	\$ -	\$ -	\$ 69
Furniture and fixtures	229	-	-	229
Leasehold improvements	86	-	-	86
Computer hardware	147	-	-	147
Computer software	869	8	-	877
	1,400	8	-	1,408
Accumulated Amortization				
Office equipment	65	2	-	67
Furniture and fixtures	226	2	-	228
Leasehold improvements	64	4	-	68
Computer hardware	145	1	-	146
Computer software	869	1	-	870
	1,369	10	-	1,379
Net book value	\$ 31	\$ (2)	\$ -	\$ 29

MANITOBA FINANCIAL SERVICES AGENCY

Notes to Financial Statements (in thousands)

For the year ended March 31, 2023

9. Designated Assets

Designated assets are distinct from restricted assets. Unlike restricted assets, the Agency or the Government can readily change its by-law or resolution and use the designated assets for another purpose if the need arises. The Agency has allocated \$1,019 (\$1,019 in 2022) of its portfolio investments as designated assets for the following purposes:

The Agency maintains separate deposits of \$750 (\$750 in 2022) to fund expenses which may arise with respect to its reserve fund. The Reserve Fund was established to finance extraordinary expenses for isolated and unanticipated purposes that are regulatory in nature and for changes in market activity that have a negative effect on revenues. The investment bears interest at 4.60% with a maturity date of March 27, 2024.

The Agency has received \$269 (\$269 in 2022) of cash from the Province of Manitoba for the purpose of settling certain of its vacation and severance liabilities in the future. This amount is held in an interest bearing account until the cash is required to discharge the related liabilities. The principal of this note is re-invested annually and the interest is re-invested into a separate short-term deposit. The investment bears interest at 4.60% with a maturity date of March 27, 2024.

10. Commitments

The Agency has entered into a lease agreement as of December 31, 2013, which includes rental of the 5th floor and 207 - 400 St. Mary Avenue that expires April 30, 2026.

Minimum annual lease payments for this agreement totals \$614 per year for each of the next three years.



Manitoba Financial
Services Agency

Agency Statistics

for the year ended March 31, 2023

**Securities
Commission**

**Real
Estate**

**Financial
Institutions**

SECURITIES STATISTICS

	2022/2023	2021/2022	2020/2021
Registrations Under <i>The Securities Act</i>	25,614	24,185	22,834
Registrations Under <i>The Commodity Futures Act</i>	384	368	366
Prospectuses Filed	582	827	864
Issuers Included in Prospectuses	4,564	4,846	4,712
Classes of Securities Included	20,376	20,315	23,045
Amendments and Supplements	5,457	7,000	5,050
Issuers Included	6,213	8,201	5,888
Classes of Securities Included	6,299	8,507	6,213
Rights Offerings	10	15	9
45-106F1 Capital Raising Forms*	1,948	1966	1,843
Offering Memorandums	67	85	60
Annual Financial Statements	5,532	5,589	5,490
Annual Information Forms	1,181	1,238	1,208
Issuers Made Active (opened)	363	550	487
Issuers Made Inactive (closed)	219	270	325
Reporting Issuers Under <i>The Securities Act</i>	6,456	6,311	6,035
Takeover Bids and Issuer Bids	23	21	19
Exemptions Orders	13	19	17
Investigation Orders	2	3	4
Financial Reporting Orders	11	3	7
Cease Trade Orders**	0	4	3
Miscellaneous Orders	1	5	2
Notices of Hearing Issued	2	0	3
Statements of Allegations Issued	2	0	3
Enforcement Orders Filed	2	4	6
Settlement Agreements Completed	1	1	6
Decision Documents Published	3	3	5
Completed Provincial Court Hearings	0	0	0
Pending Provincial Court Hearings	1	1	1
Completed King's Bench Hearings	0	0	0
Pending King's Bench Hearings	0	0	0
Complaints and Inquiries			
General Investigation and Enforcement	293	265	219
Formal Investigation Files Opened	12	20	26

* This form is required to be filed with the Commission and sets out information about the business raising the capital as well as the capital raised during the offering.

** Cease trade orders include both permanent and temporary orders.

REAL ESTATE STATISTICS

	2022/2023	2021/2022	2020/2021
Registrations			
Registrations Under <i>The Real Estate Services Act</i>	2,806	2,763	2,591
Registrations Under <i>The Mortgage Brokers Act</i>	512	497	407
Education			
Salesperson Pre-Licensing Education Enrolments*	520	861	822
Broker Pre-Licensing Education Enrolments	17	39	54
Re-Licensing Education Completions	2,324	2,174	2,107
Financial Filings and Compliance Audits			
Registered Brokerage Reports Reviewed	416	406	396
Final Close-Out Reports Reviewed	17	11	12
Brokerages Suspended for Failure to File	14	14	5
Investigations and Enforcement			
General Investigations and Inquiries**	257	336	199
Formal Investigations**	6	22	38
Complaints Resulting in a Warning or Reprimand	8	1	4
Complaints Resulting in Further Action by MSC	7	1	4
Interest Earned on Brokerage Trust Accounts (In Thousands)			
Balance Forwarded at April 1	237	377	211
Interest Earned During Fiscal Year	739	61	20
Total	976	125	111
Unclaimed Trust Account Funds (In Thousands)			
Balance Forwarded at April 1	32	25	25
Received During the Fiscal Year	11	7	2
Total	43	32	27

* Previously listed as "New Model Pre-Licensing Education Enrolments."

** In prior reporting years, formal investigations were grouped with general complaints.

FIRB STATISTICS

	2022/2023	2021/2022	2020/2021
Insurance Sector			
Special Insurance Broker Licenses	10	10	6
Number of Licensed Insurers - Federal	164	163	169
Number of Licensed Insurers - Provincial	48	47	47
Complaint Files Opened	39	48	53
Complaint Files Closed	39	55	45
Complaint Files in Progress	15	15	25
Insurance Council of Manitoba			
Examinations for Agents, Brokers, and Adjusters	3,946	3,244	3,640
Pass Rate	79%	73%	75%
Successful Applications	3,099	2,364	2,745
Agent, Broker, and Adjuster Licences Issued	26,127	25,356	23,006
Complaint Files Against Agents, Brokers, Adjusters Opened	22	19	22
Complaint Files Against Agents, Brokers, Adjusters Closed	19	14	32
Presented to Council for Decision	5	4	7
Complaints Filed Against Agents, Brokers, Adjusters in Progress	26	25	22
Credit Union Sector			
Credit Unions in Manitoba	18	21	22
<i>Caisses Populaires</i> in Manitoba	1	1	1
Combined Assets (Billions)	\$42.3	\$40.0	\$37.8
Member Deposits (Billions)	\$37.9	\$36.3	\$34.4
Member Equity (Billions)	\$2.8	\$2.6	\$2.4
Co-operatives Sector*			
Securities Offering			
Documents Approved	1	-	1
Housing Cooperative Appeals	5	4	5
Trust and Loan Corporations			
Federal	50	49	50
Extra-Provincial	40	3	3

*In 2020, the Cooperatives Registry was transferred to the Companies Office.

Performance Reporting

The MFSA's Planning Process is set out in three documents:

- A Planning Document, which serves dual purposes in outlining the MFSA's goals and action plan, as well as the means of measuring the organization's successes.
- A multi-year Strategic Plan that notes the main challenges to the organization and maps out strategies to respond.
- An annual Business Plan that establishes the year's roadmap for implementing the strategic plan and developing the MFSA's operational budget.

In addition to being a performance measurement document, the Planning Document doubles as a work plan for the MFSA's various functional areas carrying out most aspects of the Business Plan.

The Planning Document provides a template for breaking down broad MFSA goals into four perspectives: financial, stakeholder, internal, and learning and growth. Measures are set out under each perspective to determine how the MFSA will evaluate achievements against established goals.

Quantitative measurements are typically matters that can be tangibly evaluated, such as the number of field audits completed in a year, the number of staff members cross-trained for other jobs, the number of staff training hours completed, or the number of educational programs delivered to the public.

Qualitative measurements don't rely on concrete figures, but are still valid indicators of objectives the MFSA has fulfilled.

The planning document also includes target dates, proposed results and a status column to track results. It is reviewed on a quarterly basis and incorporated into a final report at the end of each fiscal year, which is made available to all employees.

As in previous years, MFSA has generally met the performance goals set, particularly in areas where quantitative targets were laid out. In the few areas where goals were not met during the fiscal year, valid reasons were given and the goals were re-evaluated for completion during the subsequent planning cycle.

Service Standards

MFSA service standards include standards set by the MSC and the CSA.

MSC service standards include reviewing applications for exemptive relief from legislative requirements within six weeks.

With respect to administrative hearings, the standard is to deliver decisions within six weeks on administrative hearings lasting less than five days.

CSA service standards include issuing comment letters for prospectus filings

within Passport guidelines. When reviewing prospectuses as the principal regulator, staff ensure all Passport guidelines for reviewing and commenting on prospectuses as well as amendments to prospectuses, are met.

MFSA service standards include the development and delivery of programs and resources for public and investment industry use. The Agency's standard response time is 24 to 48 hours for media inquiries or other information requests.

The Public Interest Disclosure Act

The Public Interest Disclosure (Whistleblower Protection) Act came into effect in April 2007. This law gives employees a clear process for disclosing concerns about significant and serious matters of wrongdoing in the Manitoba public service, and strengthens protections from reprisal. The Act builds on protections already in place under other statutes as well as collective bargaining rights, policies, practices and processes in the Manitoba public service.

Wrongdoing under the Act may be:

- contravention of federal or provincial legislation,
- an act or omission that endangers public safety, public health or the environment,
- gross mismanagement,
- knowingly directing or counselling a person to commit a wrongdoing.

The Act is not intended to deal with routine operational or administrative matters.

A disclosure made by an employee in good faith in accordance with the Act and with a reasonable belief that wrongdoing has been, or is about to be committed, is considered to be a disclosure under the Act, whether or not the subject matter constitutes wrongdoing.

All disclosures receive careful and thorough review to determine if action is required under the Act, and must be reported in a department's annual report in accordance with Section 18 of the Act.

The following is a summary of disclosures received by the MFSA for the fiscal year 2022/23. (Information required annual, as per Section 18 of the Act)

Number of disclosures received, and the number acted on and not acted on.

(Subsection 18(2)(a)) -- NIL

Number of investigations commenced as a result of a disclosure.

(Subsection 18(2)(b)) -- NIL

In the case of an investigation that results in a finding of wrongdoing, a description of the wrongdoing and any recommendations or corrective actions taken in relation to the wrongdoing, or the reasons why no corrective action was taken.

(Subsection 18(2)(c)) -- NIL

MFSA STATUTES

The Agency administers the following
Acts of the Consolidated Statutes of
Manitoba

The Securities Act, C.C.S.M. c.S50

The Commodity Futures Act, C.C.S.M. c.C152

The Real Estate Services Act, C.C.S.M. c.R21

The Mortgage Brokers Act, C.C.S.M. c. M210

The Insurance Act, C.C.S.M. c. 140

The Credit Unions and Caisses Populaires Act, C.C.S.M. c. C301

The Corporations Act, C.C.S.M. c. C225, Part XXIV



Manitoba Financial Services Agency
500-400 St. Mary Avenue, Winnipeg, Manitoba, R3C 4K5
204-945-2548 TOLL FREE in MB: 1-800-655-5244

mbsecurities.ca | mbrealestate.ca
mbfinancialinstitutions.ca

