

Educating
investors
to make
informed
decisions

2012 Annual
Report



THE MANITOBA
SECURITIES
COMMISSION

Mission

The mission of The Manitoba Securities Commission is to protect and promote the public interest by facilitating dynamic and competitive capital and real estate markets that contribute to the economic development of Manitoba while fostering public confidence in those markets.

Mandate

The mandate of the Commission is to act in the public interest to protect Manitoba investors and to facilitate the raising of capital while maintaining fairness and integrity in the securities marketplace. Similarly, its real estate industry mandate is to regulate brokers, salespeople and mortgage dealers to ensure adequate standards are maintained for the protection of the public.



THE MANITOBA
SECURITIES
COMMISSION

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MINISTER OF
FINANCE

Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

His Honour the Honourable Philip Lee, 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 Thirteenth Annual Report of The Manitoba Securities Commission for the fiscal year ended March 31, 2012.

Respectfully submitted,

A handwritten signature in blue ink that reads "Stan Struthers".

Stan Struthers
Minister of Finance





THE MANITOBA
SECURITIES
COMMISSION

Honourable Stan Struthers
Minister of Finance
Room 103 Legislative Building
Winnipeg, Manitoba
R3C 0V8

Dear Mr. Minister:

I have the honour to submit for your consideration the Thirteenth Annual Report of The Manitoba Securities Commission for the fiscal year ended March 31, 2012.

Respectfully submitted,

Donald G. Murray
Chair
The Manitoba Securities Commission





Report from the Chair

National Initiatives

World markets have through much of the fiscal year been affected by worrisome political and economic trends in the Middle East and Europe. Negative news continued to weigh heavily on investor confidence. As such the continuing work of the Canadian Securities Administrators (CSA) member jurisdictions in furthering the development and implementation of the IOSCO and G20 regulatory initiatives maintains its importance. Legislative amendments allowing the regulation of Credit Rating Organizations (CROs), hedge funds and derivatives were enacted this fiscal year. Rules governing the disclosure and trading of Over-The-Counter (OTC) derivatives are being developed within accepted timeframes to correspond with development in the rest of the world.

Harmonization of securities laws and regulations continued in 2011/12. Legislative amendments were enacted to give the MSC the needed authority to oversee the activities of the Canadian Public Accountability Board (CPAB) the organization that supervises the activities of auditors and public companies in Canada. MSC staff is also involved in reviewing the effective use by issuers of International Financial Reporting Standards (IFRS) which came into effect in the last fiscal year.

In December, 2011 the Supreme Court of Canada issued its opinion on the validity of the initiative of the Government of Canada to set up a single securities regulator and found it to be unconstitutional in the form presented. Since then the Council of Ministers responsible for securities regulation in the provinces and territories directed the CSA to propose improvements to the operation of the Passport and to increase the efficiency of the Canadian regulatory system. It is expected that the resulting recommendations will be forthcoming in the summer of 2012.

Local Initiatives

MSC Corporate Finance staff continue their focus on continuous disclosure review and maintaining the cooperative and harmonized approach with other CSA jurisdictions. Compliance staff worked cooperatively on a national review of the operations of the MFDA and IIROC and continued to conduct focused compliance reviews of Manitoba registrants.

In the area of Enforcement investigative staff continued to work with a large caseload and to operate proactively to identify illegal market schemes before investors are victimized. Legal staff remain busy with administrative hearings as well as prosecutions in Provincial Court.

The Education and Communications department maintained the operation of existing programs and developed and implemented two new programs in fiscal year 2012. The "I'm Worth It" program highlighted the experiences and unique considerations affecting Manitoba women in money management and developing an effective investment program. The "Your Future Self" program, through radio and print media and the Internet applied the notion of hindsight to demonstrate that a little discipline applied to your investment program now will pay significant dividends as you approach your retirement years. Both programs were well received by investors and have kept the MSC at the forefront of public education in Canada.

Real Estate

This year saw the retirement of long time staff member and Registrar, Bill Baluk. We all wish you the best and a well deserved retirement, Bill. Fortunately, the Commission had a capable replacement in Deputy Registrar, Terry Kirkham.

Electronic registration, first implemented in 2010, continued to see increased usage. This fiscal year just under 40% of real estate industry registrants utilized the system and the number is expected to grow.

Starting in August 2011, amendments to the form of the residential Offer to Purchase were put in place to encourage parties to real estate transactions to make a greater use of both the Property Disclosure Statement (PDS) and property inspections. An industry survey conducted September-November, 2011, suggested use of both had increased. Another survey to be conducted in the busy period of April-June, 2012 will hopefully confirm the continuation of the trend.

Finally, the process of initial registration of mortgage brokers pursuant to *The Mortgage Brokers Act* was completed during the fiscal year.

Sustainable Development

The Sustainable Development Act was enacted in 1997 for the purpose of promoting and implementing sustainable development in the provincial public sector, private industry and society in general. Principles and guidelines have been developed to assist departments and agencies in instituting objectives, integrating them into operations and reporting on their development. The Commission remains committed to sustainable development.

Operating in an office environment, the Commission practices recycling and procures a variety of recycled items including paper products and various other office materials. The Commission intends to maintain a sustainable development process that is continuous and balanced.

Acknowledgements

The Commission continues to benefit from the volunteer efforts of the members of its three advisory groups being the Securities Advisory Committee, the Real Estate Advisory Council and Real Estate Advisory Committee. Also, as in past years, sincere thanks must be given to the part time members of the Commission who continue to apply their efforts and expertise to the benefit of the investing public.

As always, a special acknowledgement must be given to the dedicated and hardworking staff of the Commission. They never fail to act with diligence and professionalism in their day to day activities. They are the single greatest asset of the MSC.

Donald G. Murray
Chair
The Manitoba Securities Commission

Part I

Commission Overview



The Manitoba Securities Commission (“the Commission”) is responsible for administering and enforcing *The Securities Act*, *The Commodity Futures Act*, *The Real Estate Brokers Act* and *The Mortgage Dealers Act*. The Commission was structured in its present form in 1968. The Commission became a Special Operating Agency on April 1, 1999.

A reference to “the Commission” can mean either of two bodies. These are:

1. The administrative or functional arm which is made up of full-time employees who conduct the day-to-day operations; and
2. The policy making group made up of a maximum of seven order-in-council appointees who meet regularly (the “Commission members”).

Administrative Arm

The administrative arm of the Commission is comprised of two operating divisions, the securities division and the real estate division, consisting of 37 permanent full-time staff positions of which all but two were filled as of March 31, 2012.

Securities Division

The securities division is organized into the following seven operational sections:

Investigations

There are four staff in this section being the Manager of Investigation, two investigators and one administrative support staff. The investigation section receives inquiries and complaints, conducts investigations and assists legal staff in the preparation of matters for hearings. The members of the investigation section report to the Director of Legal, Enforcement and Registrations.

Legal

The legal section is comprised of the Deputy Director-Legal, two legal counsel and one administrative support staff. The legal section provides legal advice to the Commission members and all other functional sections of the Commission, takes part in policy development and the creation of educational materials, presents applications to Commission meetings and prepares and argues enforcement cases at Commission hearings and in court. The members of the legal section report to the Director of Legal, Enforcement and Registrations.

Registration

The registration section is made up of the Deputy Director- Registrations and four full-time registration clerks. This section is responsible for the registration of firms and individuals operating in the investment markets in Manitoba. The members of the registration section report to the Director of Legal, Enforcement and Registrations.

Compliance

The Compliance section is made up of the Manager, Compliance & Oversight, Compliance Auditor and one administrative support staff. The Compliance section supports the registration function by conducting compliance audits of the industry. The Compliance section is also responsible for Self Regulating Organization (SRO) oversight. These staff members, who are both professional Accountants, also assist in the investigation and legal functions of the Commission by analyzing financial and trading information arising from investigations or from claims made by investors for compensation for financial loss. These staff members report to the Director of Legal and Enforcement and Registrations.

Corporate Finance and Continuous Disclosure

There are five staff members in this section being senior analyst, analyst, administrative assistant, corporate finance clerk and continuous disclosure clerk. The analysts are professional accountants. This section reviews and monitors offering documents and applications, as well as continuous disclosure filings of reporting issuers. It also takes part in policy development and makes presentations at Commission meetings. Staff members report to the Director of Corporate Finance and Chief Administrative Officer, who is also a professional accountant.

Finance and Administration

There are five staff members assigned to this section including the controller (a professional Accountant), an accounting clerk, a web developer/analyst, a receptionist and an administrative clerk. This section, in consultation with management, prepares the Commission's budgets and financial reports and develops and implements office and personnel policies for both the securities and real estate divisions. Staff members report to the Director of Corporate Finance and Chief Administrative Officer.

Education and Communications

The Manager, Education and Communications and one administrative support staff are assigned to this section. The Manager, Education and Communications, who has a Bachelor of Education and a Certificate in Management, is responsible for the development and implementation of educational programs and internal and external communications for the general public, industry and staff. The Education and Communications Manager reports to the Chair.

Additional Staff

There is an additional full time staff position, being an Administrative Assistant reporting directly to the Chair.

Real Estate Division

The real estate division is made up of the Registrar, Deputy Registrar-Registrations, Deputy Registrar-Compliance and two administrative support positions. The real estate division is responsible for the administration of *The Real Estate Brokers Act* and *The Mortgage Dealers Act* and, in general, the regulation of the real estate industry in the Province of Manitoba. Employees in this section report to the Registrar.

Management

Both Directors of the securities division and the Registrar of real estate report directly to the Chair, who is the Chief Executive Officer of the Commission. This group comprises the senior management team. In addition there is an extended management committee which has membership from all operational areas.

Commission Members

In addition to the Chair there are a maximum of six part-time Commission members. The Commission meets regularly to deal with policy and regulatory formulation, applications seeking exemptions from the requirements of regulation, and to consider whether it is in the public interest to grant various types of orders authorized by legislation. Commission members also perform a quasi-judicial function by sitting as adjudicators in Commission hearings. The Chair presides at meetings of the Commission.

The Chair of the Commission reports to the legislature through the office of the Minister of Finance.

During 2011/12 the Commission Members were as follows:



Donald G. Murray (Chair)

Appointed to the Commission in 1993, Mr. Murray spent 20 years in the private practice of law. In 1994, he was appointed Vice Chairman and became Chairman in 1997. As Chair and CEO, Mr. Murray chairs the meetings of the Commission, sits on hearing panels and represents the Commission as the Manitoba representative at the meetings of the Canadian Securities Administrators (CSA) and North American Securities Administrators Association (NASAA). He has been the Vice-Chair of the CSA and is a former member of Board of Directors of NASAA.



Lynne M. McCarthy (Vice-Chair)

Appointed to the Commission in 1994, Ms. McCarthy has a Master of Business Administration degree from the University of Western Ontario and the Chartered Financial Analyst designation. Ms. McCarthy has over 20 years of experience in institutional investing.



Kathleen E. Hughes

Kathleen Hughes worked for the Department of Justice, Court Services for 20 years. She was formerly the Legal Information Services Coordinator for Manitoba Law Libraries Inc. Ms. Hughes was previously a member of The Manitoba Securities Commission from 1975-81 and has been involved in various volunteer boards and committees. She was re-appointed to the Commission in 2002.



Donald H. Smith

Appointed to the Commission in 2003, Mr. Smith is a Chartered Accountant with over 20 years experience in entrepreneurial and financial advisory services. Previously a chief executive officer of corporations providing a variety of financial services, he is currently president of a vehicle leasing company.



James W. Hedley

Jim Hedley was appointed to the Commission in 2006. He has practiced law, in a variety of fields for over 30 years. He has been active in recent years with arbitration and adjudications for The Law Society of Manitoba and the Sport Dispute Resolution Centre of Canada. His public service activities have included roles as president of Special Olympics Manitoba, of which he was also a co-founder, and the Manitoba Sports Hall of Fame and Museum.



Glenn J. Lillies

Glenn Lillies was appointed to the Commission in 2006. Mr. Lillies is a Chartered Accountant who retired as a partner with KPMG after 30 years in public practice. He was also employed with The Manitoba Securities Commission for four years as a Compliance Auditor. He donates his time as the treasurer of several service organizations.



Gerald Posner

Gerald Posner was appointed to the Commission in September 2007. He has been a lawyer practicing in the Provinces of Manitoba and Ontario for 40 years in the areas of real estate and estate planning. He served on the board of Riverview Hospital and as well is the past President of the Jewish Heritage Centre of Western Canada.

Advisory Groups

Securities Advisory Committee

The Committee was established by the Chair of the Commission to meet when required to provide advice on regulatory matters. The Committee has provided advice on new policy initiatives developed by the Commission. The Committee has also been called upon to advise on changes within the industry and how the Commission can best deal with those changes.

- Dave Cheop, Investors Group Inc.
- Ken Cooper, formerly Winnipeg Stock Exchange
- Linda Vincent, ICE Futures (Canada)
- Mike Guttormson, James Richardson & Sons, Limited
- Bruce Jack, Deloitte & Touche
- Tom Kormylo, Pitblado
- Tony Catanese, PricewaterhouseCoopers
- Ron Coke, Taylor McCaffrey
- Patrick Cooney, Jory Capital Inc.
- Bruce Thompson, Thompson Dorfman Sweatman (Alternate)

Real Estate Advisory Council

The Real Estate Advisory Council is a non-statutory advisory body established by the Commission and The Manitoba Real Estate Association. The Mandate of the Council is to advise and make recommendations to the Commission and MREA on real estate issues; to review mutually beneficial ideas, policies or legislative reform; and give early warning or advance notice to the Commission of trends or developments arising in the real estate industry.

- Claude Davis, Chairman, Broker, Royal LePage Dynamic Real Estate
- Tom Fulton, Broker, Re/Max Performance
- Michael Barrett, Salesperson, Century 21 Westman
- Brian Canart, Salesperson, Homelife Home Professional Realty Inc.
- David Powell, Broker, Powell Property Group
- Robert Giesbrecht, President, Canadian Condominium Institute (Manitoba Chapter)
- Robert F. Shaer, Broker, Professional Property Managers' Association
- Robert L. Tyler, Solicitor, The Manitoba Bar Association
- Brian Collie, Executive Director, Manitoba Real Estate Association
- Terry Kirkham, Registrar, *The Real Estate Brokers Act*

Real Estate Advisory Committee

The Real Estate Advisory Committee was established by the Real Estate Advisory Committee Regulation (Manitoba Regulation 593/88) under *The Real Estate Brokers Act*.

The Committee reviews and recommends projects to the Commission for funding from the interest which the Commission receives from real estate brokers' trust accounts.

- John Froese, Chairperson, Royal LePage Prime Real Estate
- Cliff King, broker, Re/Max Executives Realty
- Ray Brownlee, Century 21 West-Man Realty Ltd., Brandon
- Ute Vann, salesperson, Royal LePage Dynamic Real Estate
- Ken Trinkl, retired, member of the public

Part II

Securities



Overview

The operational sections of the Commission work in eight functional areas. They are:

1. Registration;
2. Compliance;
3. Corporate Finance and Continuous Disclosure;
4. Private Placement and Exempt Offerings;
5. Exemption Orders;
6. Legislation and Policy Development;
7. Investigation and Enforcement;
8. Education and Communications.

Each functional area carries unique duties and responsibilities the performance of which requires a high degree of co-operation and co-ordination among the operational sections.

Registration

The Registration section reviews and determines whether it is in the public interest to register a person or company to trade or advise in the trading of securities or commodity exchange contracts. In general terms there are three situations where the registration section considers whether a registration is in the public interest:

- When an applicant initially applies for registration the applicant must meet education, integrity and solvency requirements. Companies must be financially viable and have appropriate supervision in place at all times.
- When information comes to the attention of staff that raises a question whether continued registration is not in the public interest, a decision can be made to impose terms and conditions on the registration. Alternatively, the matter can be referred to a hearing to determine whether the registration should be suspended or cancelled.
- When a registrant requests a transfer of his or her registration. In most cases a transfer of an individual's registration from one company to another can be completed quickly. However, in cases where there is information to suggest there is a problem with the conduct of a registrant, the registration section can either refuse the transfer, or impose a requirement that the individual be more closely supervised until it can be determined whether there should be a hearing to determine if the individual's registration should continue.

The number of businesses and individuals registered reflects the strength of firms headquartered in Manitoba as well as the commitment of firms based in other jurisdictions to offer services to clients in Manitoba.

Number of registrations:

	2011-12	2010-11	2009-2010
The Securities Act	25,090	18,281	15,518
The Commodity Futures Act	533	401	361

The registration section also continues to be involved in initiatives locally and through the Canadian Securities Administrators to improve the registration process.

National Registration Database

The National Registration Database (NRD) permits an individual or company to submit registration information and requests to the Commission and other Canadian securities regulators electronically using a secure Internet connection.

NRD has created efficiencies in the registration process through the single point of entry into the registration process and through an increased coordination of registration forms and procedures. These efficiencies have been achieved without compromising the Commission's ability to monitor and respond to activities in Manitoba markets.

Passport

The Passport system has significantly improved the efficiency of the Canadian securities regulatory system by permitting one regulator to make a decision regarding registrations that has application in other provinces and territories. A firm or individual in Manitoba can apply to the Commission in Manitoba and obtain the necessary approvals to operate in other provinces and territories. There is no longer a need to obtain separate approvals from each province and territory.

Although the Ontario Securities Commission does not participate in the Passport system at this time, registration submissions continue to be coordinated with Ontario to make the approval process required to access the Ontario market as efficient as possible.

Compliance

The Compliance section performs reviews of the operations of persons and companies registered with the Commission to ensure they are conducting business in a manner that does not pose a risk to the public. This is done through the review of financial reports submitted by registrants and by performing compliance examinations of offices of registrants. Compliance reviews are an effective way of identifying risks before there is a loss to investors. Compliance reviews may be conducted locally, or in cooperation with other securities regulators.

The Compliance section also assists in the investigation of complaints by providing financial analysis of trading records and other financial information. In addition, the compliance section provides a financial analysis of Investor Claims for Financial Loss, determining what dollar amounts can be presented to a hearing of the Commission.

The Compliance section maintains contact with self regulatory organizations to conduct and coordinate compliance examinations. The Compliance section also oversees the operations of those organizations as required by the Act.

Two regular compliance examinations were conducted in 2011/12 by the Compliance section. Compliance Staff participated with other provinces from the Canadian Securities Administrators in conducting focused compliance reviews of the relationship disclosure information provided to clients by firms registered as portfolio managers and exempt market dealers in Manitoba. Compliance Staff continued to conduct new registrant visits, which give Staff the opportunity to learn about the new firms, and assists the firm in understanding their regulatory responsibilities. Three new registrant reviews were conducted in 2011/12. Staff also participated in various oversight activities related to the self-regulatory organizations that are recognized by the MSC .

Corporate Finance and Continuous Disclosure

The Corporate Finance section reviews prospectus filings and rights offerings to ensure that they contain full, true and plain disclosure of all material facts necessary to make an informed investment decision. Multi-jurisdictional offering documents are reviewed in accordance with the Passport System. The Passport system improves the efficiency of the capital markets in that the issuer deals only with the principal regulator and receives one receipt with respect to its offering.

Reporting issuers are required to file continuous disclosure materials such as financial statements, management discussion and analysis, material change reports, proxy materials and annual information forms with the Commission. Securities legislation sets out the content requirements of these documents as well as the time periods in which they have to be filed.

Insiders of reporting issuers are required to file insider trading reports with the Commission within specified time frames, utilizing the System for Electronic Disclosure by Insiders (SEDI).

Continuous Disclosure Review Program

The Commission has implemented a continuous disclosure review program and is participating with other members of the CSA in the ongoing development of a harmonized approach to ensure that all reporting issuers are subject to ongoing review, and that the reviews are performed efficiently and consistently. The CSA continues to work towards a harmonized approach to the performance of continuous disclosure reviews. Manitoba is one of the eight Passport jurisdictions participating in this program.

The focus on continuous disclosure filings reflects the fact that over 90 per cent of all trades take place in the secondary market and the quality and timeliness of information disclosed to capital market participants by reporting issuers is of the utmost importance to the market. Commission staff continues to review prospectus offerings, but equal importance is placed on the review of continuous disclosure filings.

Insider Trading

SEDI provides easy public access to insider reporting information and also allows for effective and efficient monitoring of insider trading reporting activity to ensure that filings are in the proper form and content and are made in a timely fashion. For Manitoba reporting issuers, Corporate Finance staff ensures filings are form compliant, filed within required timelines and late filing fees are collected where required.

National Electronic Filing Systems

Corporate Finance staff continues to be involved with the maintenance and ongoing development of three electronic filing systems:

- SEDAR – a System for Electronic Document Analysis and Retrieval (SEDAR) has been in use since January 1, 1997 and provides for the electronic filing of securities-related documents with the Commission and other CSA jurisdictions. SEDAR allows for the efficient filing of documents with all regulators simultaneously and provides for secure electronic communication between issuers and regulators. SEDAR has greatly enhanced the efficiency of the Canadian capital markets and, when combined with the Passport system, has resulted in the Canadian capital markets being one of the most efficient in the world. In addition, through its website at www.SEDAR.com, it allows for the timely dissemination of information to the public.
- SEDI – Manitoba continues to participate in the ongoing maintenance of the System for Electronic Disclosure by Insiders (SEDI) which is a national insider reporting database. The system provides ease of reporting to insiders and public access to insider trading information.
- National CTO database – Corporate Finance staff continue to participate with other CSA jurisdictions in the ongoing development and maintenance of a national cease trade order (CTO) database. This database has proven to be highly effective and allows members of the public and industry participants easy access to information relating to CTOs issued by securities regulatory authorities in Canada.

Policy Development

Corporate Finance staff was involved in the development and implementation of a number of significant national rules and policies dealing with such matters as:

- Point of Sale for mutual funds
- Development of a prospectus rule for scholarship plans
- Proposed amendments to the prospectus and continuous disclosure rules and policies
- Proposed amendments to prospectus rules with respect to pre-marketing and marketing
- Proposed amendments to modernize investment fund rules and policies
- Development of rules tailored to the venture market

Corporate Finance staff is also involved in the CSA Committee looking at systemic risk in the securities industry.

IFRS

Corporate Finance staff continued to expend considerable resources in 2011/2012 with respect to the adoption of IFRS in Canada as of January 1, 2011. Among other initiatives, staff participated in a national training initiative and the monitoring of reporting issuer compliance with IFRS.

Filings Processed

Prospectus ** (by year)	Prospectus Amendments	Annual Information Forms	Rights Offerings	Take-Over Bid Circulars
2007/2008 933	167	1464	18	80
2008/2009 798	200	1335	21	65
2009/2010 853	244	1270	20	55
2010/2011 917	214	1352	8	39
2011/2012 780	244	1328	10	44

** Prospectus documents filed – A single prospectus filing may contain multiple issuers (i.e.: a single mutual fund prospectus could contain as many as 100 funds).

As evidenced by the above table, the level of prospectus and continuous disclosure filings continues at a high level.

Private Placement and Exempt Offerings

The Commission recognizes the benefit to the Manitoba economy and the public in providing an environment that encourages the development of business and the need of those businesses to raise capital. The percentage of businesses that access financing through capital markets is consistently higher in Canada than in the United States, reflecting the importance of having rules that provide a variety of financing options to support new and developing businesses.

Where the size of the business or the amount of capital to be raised does not warrant the use of a prospectus, securities regulation provides ways to assist businesses and make new offerings of securities available to Manitobans.

The Act, regulations and rules provide exemptions from the requirement to use a prospectus and the requirement to trade in securities through someone registered under *The Securities Act*. They are based on the nature of the security sold, the dollar amount of the purchase, as well as the knowledge of the purchaser. Limited offering exemptions are based on an offering of securities being made to a limited, identifiable group of purchasers, and are used by new businesses that need capital to establish operations. Purchasers of securities in limited offering exemptions either have knowledge of the business they are investing in or are required to seek independent advice with respect to the investment prior to purchase.

The raising of capital in Manitoba can be done in various ways. Under Manitoba law options are available to market securities using requirements that have been in place for many years and that are unique to Manitoba. The Commission has been told by its stakeholders that these Manitoba options continue to provide methods to raise capital that balance the interests of businesses and investors.

Commission rules also provide capital raising options that are available throughout most of Canada. Using one of these rules permits a business to raise capital in a consistent manner in most provinces or territories. These rules are highly harmonized throughout Canada.

	2011/12	2010/11
45-106F1 Capital Raising Forms*	1277	1228
Offering Memorandum	118	81
Private Placement	0	1

(*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.)

Exemptions and Orders

Exemption Applications

Applications are made to the Commission for exemptions from regulatory requirements in situations where the granting of an order is not contrary to the public interest. The Commission deals with national applications and local applications.

National and Regional Applications

The Commission is a participant in the Passport System for exemption applications. The Passport System permits an applicant to make a single application in multiple jurisdictions. The Principal Jurisdiction reviews the application, determines whether the relief requested in the application should be granted and issues a single decision document on behalf of all jurisdictions.

Manitoba Applications

The Commission continues to be supportive of local community-based projects that focus on businesses that will provide benefits to a community. While the Commission does not create business plans or proposals for local projects, staff works with applicants to satisfy themselves that each group has the tools required to raise capital in a manner that does not compromise the investor protection objectives of securities regulation.

The total number of orders issued under *The Securities Act* for the last three fiscal years:

ORDERS ISSUED	2011/12	2010/11	2009/10
Exemption Orders	11	21	26
Take-Over Bid Orders	1	0	0
Insider Reporting Orders	0	0	0
Financial Reporting Orders	82	80	98
Cease Trade Orders*	79	61	39
Miscellaneous Orders	97	41	26

(*Cease Trade Orders include both permanent and temporary orders)

Legislation and Policy Development

Laws and rules developed and administered by the Commission need to achieve a balance between investor protection and facilitating fair and efficient capital markets. As markets are constantly changing the Commission must continually monitor and review securities regulations. It is important to ensure that any new or revised requirements do not inadvertently create barriers to market activity in Manitoba, are unnecessarily inconsistent with other jurisdictions or create unacceptable levels of risk for investors.

Some of the projects the Commission has been involved in during 2011-2012:

Highly Harmonized Securities Legislation

Working with the Ministers responsible for securities regulation and their respective staff, the Commission and other members of the CSA continue to identify and implement legislation and rules that can be highly harmonized amongst the provinces and territories participating in the Council of Ministers for Securities Regulation. This work results in highly harmonized laws in existing areas as well as new areas of regulation such as the regulation of auditor oversight bodies and credit rating agencies.

Policy

On a local basis, the Commission continues to strive for policy development to benefit investors and maintain fairness in the marketplace. On a national basis, the Commission continues to work with other CSA jurisdictions on the implementation of new Point of Sale disclosure regime for mutual funds, amendments to continuous disclosure and prospectus rules, and the modernization of investment fund regulation.

The bulk of national policy development takes place through CSA staff committees. The Commission was represented in 2011/12 on numerous CSA Committees and continues its commitment in this regard.

Rules, Policies and Notices

The Commission has the legislative authority to enact rules that have the same force and effect as regulations under the legislation. In fiscal year 2011/12, most rules enacted by the Commission were national instruments representing rules implemented on a Canada-wide basis.

The Commission also issues Policies and Notices to give guidance to markets about the application of securities laws.

The Commission issued 71 rules, notices and policy statements during the period which reflects the continuing harmonization of securities rules and regulations across the country.

All rules, notices and policy statements that were published for comment or adopted by the Commission during the past year are posted on the Commission's website.

ICE Futures Canada Inc.

ICE Futures Canada, Inc. (ICE) is headquartered in Winnipeg and is the only agricultural futures exchange in Canada. ICE is registered as an exchange under *The Commodity Futures Act*. It is also recognized as a self-regulatory organization under the Act.

The Commission oversees the operations of the exchange to ensure its business is being conducted in a manner that meets or exceeds international standards. The oversight program of the Commission includes ongoing review of the operations of the exchange and its clearinghouse, review of rules and policies of the exchange and the review and monitoring of products offered by the exchange.

Investigation And Enforcement

Complaints & Inquiries

Staff investigates complaints and inquiries from the public. A complaint may relate to the conduct of a person or company registered to trade in securities or to trading activities of people not registered to trade securities in Manitoba. Complaints may also involve securities products that may or may not have been approved for trading in Manitoba.

As with any investigative agency, Commission staff must review all complaints received both on the basis of potential harm to the markets generally, and on the basis there may have been harm caused to an individual member of the public.

Commission staff will in many cases facilitate resolution of a complaint by speaking with both the securities firm and the client. In some cases, matters that relate to the conduct of a registrant are referred to a self-regulatory organization such as the Investment Industry Regulatory Organization of Canada or the Mutual Fund Dealers Association for investigation and resolution.

During the fiscal year 2011/12 the number of complaints received relating to fraudulent schemes such as prime bank instruments and pension plan loans remained a concern. These illegal activities represent millions of dollars of illegal activity and continue to target all segments of the population. These fraudulent schemes continue to be a focal point in the Commission’s public education initiative.

	2011/12	2010/11
Investigation and Enforcement Inquiries	405	400
Investigation files opened	65	86

Investigations

Investigation staff proactively reviews websites and other publications to identify potentially illegal investment schemes before the operators of those schemes are able to take money from the public. In some cases the promoters are offering legitimate investment opportunities but were unaware of the requirements of the securities laws. In other cases operators of illegitimate schemes stop their activities once they become aware staff are watching their activities.

Once an investigation is commenced Commission staff attempt to gather evidence through witness interviews and through the obtaining of documents. In situations where this evidence cannot be gathered voluntarily, an investigation order can be issued to compel the production of evidence during an investigation.

Investigation staff also works closely with other regulators and law enforcement investigators. Commission investigators may be asked to gather evidence to assist in an investigation based in another jurisdiction. Investigations arising in Manitoba may also be coordinated with investigations occurring in other jurisdictions.

The Hearing Process

After a complaint has been investigated a determination is made whether there is sufficient evidence to justify holding a hearing before the Commission or to conduct a prosecution in Provincial Court.

The Commission conducts hearings:

- to review whether a person or company should continue to be registered
- to review a decision made by the director
- to determine whether to deny someone the right to trade securities
- to decide whether trading of security should be halted
- to determine whether a financial loss compensation order should be issued and/or whether an administrative penalty should be assessed
- to determine whether someone should be prohibited from being a director or officer of an issuer

The Commission, following a hearing, also has the ability to issue an order based on an order issued by another securities regulator. Staff of the Commission maintain close contact with all other Canadian securities regulators to identify cases where it would be appropriate to issue a reciprocal order in Manitoba. In 2011/12, 61 reciprocal orders were issued by the Commission based on orders issued in other jurisdictions.

The Commission also conducts prosecutions in Provincial Court where there is an allegation of a violation of a law administered by the Commission. A conviction for these offences can result in a fine or imprisonment.

Concerning administrative hearings heard before a panel of the Commission during the year ending March 31, 2012, 39 Notices of Hearings were issued, 71 Orders were filed, two Settlement Agreements were completed and three Decision Documents published. In addition, Commission staff completed one Court of Queen's Bench hearing and one Court of Appeal hearing for breaches of *The Securities Act* and as of March 31, 2012, two additional provincial court hearings were pending. There is also one Court of Queen's Bench matters pending.

Details of pending and completed Commission hearings and prosecutions are provided on the Commission's web site under the heading *Hearings & Proceedings*.

Financial Loss Claims

A member of the public who chooses to invest in securities accepts the risk that the market value of the investment may increase or decrease. The public does not invest with an expectation that there will be a decrease in the value of an investment caused by illegal or improper activity.

The Commission was the first in Canada to obtain authority in legislation to order repayment to an investor for losses arising from illegal or improper conduct relating to the trading of securities. Claims of up to \$250,000 are permitted. This authority provides investors with an alternative to the civil court system and is a powerful tool for investor protection. By providing this option to investors, the investor and the subject of the Commission hearing can have all regulatory and financial loss matters dealt with in a single proceeding.

The ability of the Commission to order compensation to an investor also creates a strong incentive to resolve client complaints involving financial losses at an early stage, avoiding the need for the client to make a complaint to the Commission or spend money to have a matter determined by the courts.

The Commission publishes a report describing the number and status of claims under the Enforcement section of the Commission's website at www.msc.gov.mb.ca.

Investor Alert

The Commission believes that informing investors is often the best way to avoid losses through illegal or improper trading of securities. The Commission will issue an Investor Alert in situations where it is necessary to warn the public about activities that may be illegal or that pose a risk to the public. An Investor Alert may be issued even though there has not been sufficient time to assemble the evidence required to commence a Commission hearing or court prosecution.

Investor Alerts are issued through media outlets and posted on the Commission web site. They are issued throughout Manitoba, but in some cases have been targeted to specific areas in the Province where the deemed improper activities are occurring.

Education and Communication

"Financial education is one of the most effective tools to improve the financial literacy of individuals and help prevent financial crises. From a micro perspective, financial education is beneficial to individual welfare. From a macro perspective, it ultimately contributes to the development of the market and economy. There is no doubt that sound and comprehensive financial education programs, norms and practices are critical to ensure the stability and vitality of capital markets."

*Kun Ho Hwang, Chairman
International Forum for Investor Education (IFIE)
April 21, 2011*

It is with this lens that the Manitoba Securities Commission planned, developed and delivered financial literacy programs for the 2011-2012 fiscal year.

In April 2011 the Commission launched a new program for women called "I'm Worth It". The program was developed to address some staggering statistics surrounding women and money:

- In Manitoba, only 47% of women hold some sort of investment compared to 62% of men.
- Women earn 25% less than men.
- Women have less in pensions and savings, and are more likely to live in poverty after the age of 65.
- When it comes to attaining financial goals, 64% of women say they worry about this, compared to only 42% of men.

"I'm Worth It" covers a wide range of topics concerning money management such as understanding your values and motivations, money and relationships, and making the most of your money – by smart shopping, budgeting, and saving for your future. The guide is supplemented by online videos featuring five Manitoba women talking about their personal financial experiences, lesson plans that compliment each section of the guide and an iPhone app that tracks daily spending, helps set savings goals, and improve spending habits. As of March 31, 2012, over 3000 guides have been distributed.

Financial abuse and fraud continues to be an important issue for many older Manitobans. We also know that to prevent abuse and fraud from occurring, we must work together to create age-friendly

communities that empower and support older adults in making informed decisions about their finances and relationships.

The Manitoba Securities Commission (MSC) together with Manitoba Healthy Living, Youth & Seniors, Seniors & Healthy Aging Secretariat developed a series of three print publications that focus on identifying and preventing financial abuse among older Manitobans. The information is very appropriate for older Manitobans as well as the caregivers that interact with them.

- Identifying and Preventing Financial Abuse - A Guide for Older Manitobans
- The ABCs of Senior Investment Fraud - A Guide for Professionals Working with Seniors
- Financial Concerns Checklist

All three publications were released on May 31st, 2011, during Age-Friendly Week.

Improving the way that the Commission communicates with the public and industry is very important. With rapidly changing technology and increasing use of social media the Commission began initial work on upgrading the corporate web site. Improvements were made to the Education section of the web site. All resources information on current campaigns are easily accessed from MSCed.ca.

Early in 2012 the Commission launched the highly innovative “Your Future Self” campaign. The campaign premise is that hindsight is a wonderful thing. In reality, hindsight doesn’t exist. Imagine what your future self would tell you to do differently today. Maybe suggest a new haircut, perhaps tell you to go easy on yourself because you look better than you think, or maybe Your Future Self would tell you to stop spending so much money, stop listening to those ads trying to convince you that you need more. Wouldn’t it be great if you could hear what your future self has to say. Better yet, if Your Future Self could help stop you from making bad financial decisions. The campaign focused on saving and investing, not spending, and protecting yourself from investment scams. Billboards, transit shelter and print ads, radio spots and a web site invited Manitobans to learn about what they could do to stop spending and start saving. The following statistics were collected during the campaign period which ran from January 23 – February 25, 2012:

Visits	Pages	Time on site
12,165 visits		
10,760 unique visitors	24,405 page views	2:42 minutes
88% new visits	2.01 pages per visit	4.12% Bounce Rate
12 % returning visitors		

As with any campaign, public comments are welcome and key to developing great future campaigns. A few comments that we received from the Your Future Self campaign:

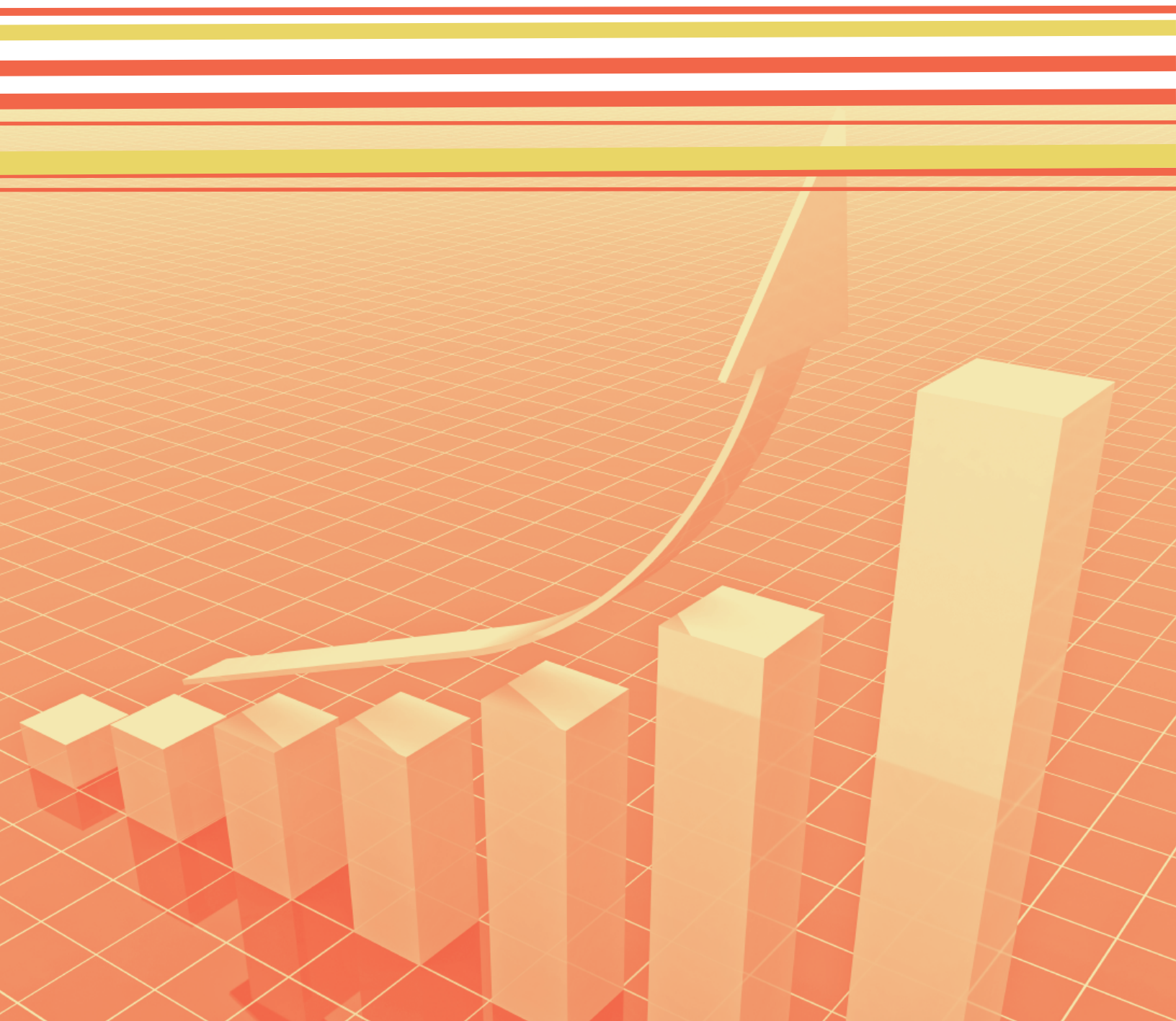
Hey Ainsley! Just wanted to drop you a note to say that this YFS campaign is spectacular. I can hardly believe this is a government initiative! Very creative, very clever, and hopefully very effective. I have already done a lot of reading and have learned some good stuff. Thanks! Brooklyn.

“Hi, Your ad campaign for the yourfutureself.ca site is amazing. Whoever thought of it is a genius! In 10 years, it’s the only one “sticky” enough to get me to check out a website...2 days after seeing it while stuck in traffic. I also like the way information is presented on the website. Great job!” Regards, Matt.

And finally, while the majority of Education programming developed by the Commission focuses on securities matters the Education department undertook to develop public information pieces for Real Estate surrounding the new Offer to Purchase - Property Disclosure Statement (PDS) and information on the *Mortgage Brokers Act*.

Part III

Performance Measurement and Service Standards



Performance Measurement

The Commission's planning process is set out in three documents. First, the Commission has a multi-year Strategic Plan that notes the main challenges to the organization and maps out strategies to respond. The other two documents are the annual Business Plan and the Planning Document.

The annual Business Plan is based on the Strategic Plan and develops a one-year road map for strategy implementation while developing a budget for the operations of the Commission.

The Planning Document, which was previously called the Balanced Scorecard, was originally developed by Commission staff with some outside consultation and was introduced in the 2002/2003 fiscal year. The balanced scorecard document was reviewed and updated by staff in 2006/07 and was renamed the Planning Document.

The Planning Document is a dual purpose document in that it outlines goals/objectives of the Commission and actions required to achieve them as well as the means of measuring the agency's successes. In other words, in addition to being a performance measurement document, the Planning Document doubles as a work plan for the overall Commission in the various functional areas for carrying out most aspects of the Business Plan.

The Planning Document template breaks down the Commission's broad goals into four perspectives being: financial, stakeholder, internal and learning and growth. Under each of the perspectives, in addition to goals or objectives, measures are set out as a means of determining as to whether the Commission has successfully achieved its goals for the year. There are two types of measurements, being "quantitative" and "qualitative". Quantitative measures are those that lend themselves easily to determination and comparison. These are generally matters that can be physically counted such as the number of field audits completed in a year, the number of staff that are cross-trained for other jobs, the number of hours of staff training completed, and the number of educational programs delivered to the public.

Qualitative measurements are those matters less prone to physical comparison but are still considered valid indicators of the fulfillment of Commission objectives. For example, under "internal perspective" the first stated goal in the Planning Document is "developing and maintaining a superior knowledge base". An action aimed at furthering this goal includes for all functional areas the preparation of written procedure and policy manuals. The completion of these manuals is considered a qualitative measure in that their availability will serve to increase operational understanding and communication. With qualitative measures the timely completion of the action, designed to further agency goals, is taken as a measurement in itself that the Commission's goals are being achieved.

Each year staff of the eight functional sections meets to apply the template to their specific areas and the actions to be undertaken by each to achieve the goals are determined. Each action is directly related to an organizational goal or objective. Every staff member has the opportunity to participate in this exercise. The individual area templates are collected, reviewed and incorporated into the Planning Document.

The Planning Document also includes target dates, proposed results and a status column (which is used to track results). The status of the Planning Document is reviewed by staff on a quarterly basis, and following the year-end a final report on the organization's performance success is made available to all staff members. As has been the case with previous years, the organization has generally met the performance goals it had set. This is particularly so in those areas where quantitative performance targets were laid out. In those few areas where performance targets were not met during the fiscal year, valid

reasons were given and the goals and targets are reevaluated and identified for completion during the subsequent cycle.

The Commission has found the Planning Document to be a very useful tool in the planning/reporting process and a valuable method of identifying agency objectives and utilizing the talents of all staff in determining actions to meet those goals and setting measures for performance. This document is very much a creation of Commission staff and while there are always different ways to view and measure performance, the team performing the Commission's Effectiveness Evaluation in 2002 considered this document to be comprehensive, reasonable and appropriate. The Commission realizes the importance of remaining current in its performance measurement outlook and senior management and the extended management committee reviews the Planning Document on a regular basis.

Service Standards

Service Standards in operation include commitments to timely action in the review of applications as well as in the delivery of decisions following administrative hearings, the issuance of comment letters for prospectus filings within Passport guidelines, and meeting annual CSA continuous disclosure review targets.

In the area of hearings the Commission will, for hearings of one week (five days) or less provide written Reasons for Decision within six weeks of the close of the hearing. The Commission members, when assigned to panels, will endeavor to produce written Decisions in a timely fashion for longer hearings, which will depend upon the amount of evidence to be reviewed in rendering a Decision. This service standard was implemented at the end of fiscal year 2007 and has been complied with to date.

In the area of prospectus review Commission staff will ensure that all standards set out in the Passport for review and comment for preliminary prospectuses, long form prospectuses, short form prospectuses and amendments will be met or exceeded when acting as principal regulator. This includes:

- Preliminary and long form prospectuses – review and issue comment letter within 10 working days
- Preliminary short form or shelf prospectus – review and issue comment letter within three working days
- Amendments to preliminary long form prospectus – review and issue comments within five working days
- Amendments to preliminary short form prospectus – review and issue comments within two working days
- Final amendments to prospectus – three days for long form and two days for short form

With respect to continuous disclosure reviews, staff will ensure that Manitoba meets the annual targets established by the CSA continuous disclosure review program.

Part IV

Real Estate



Overview

The Real Estate Division of The Manitoba Securities Commission administers *The Real Estate Brokers Act* and *The Mortgage Brokers Act* (formerly The Mortgage Dealers Act). The Real Estate Division is responsible for the registration of real estate brokers, mortgage brokers and real estate and mortgage salespersons, investigations of complaints involving the alleged violations of statutes, and to provide public protection by maintaining the standards that have been established for governance of the real estate and mortgage brokerage industry.

The Commission had been working on amending the *Mortgage Dealers Act* and effective May 1/11 *The Mortgage Brokers Act* came into being. With the enactment of this change the Commission took on the responsibility of regulating not only the above referenced category of mortgage dealers (now referred to as mortgage brokers) but a new category of registrants referred to “restricted” mortgage brokers. The former is permitted to carry on different activities within the mortgage broker industry than the latter group of “restricted” mortgage brokers.

On-Line Registration

The real estate industry has been utilizing an on-line registration system that was first introduced in February of 2010. This enhanced system allows industry members to complete their renewal licensing registrations on-line as well as certain other changes to their registration information. There are currently close to 40% of the industry registrants utilizing the system. In addition to being able to validate renewal registrations and initiate changes on-line the industry members can also obtain up to date information pertaining to their status of educational requirements as well as their licensing history.

Education

The real estate pre-licensing courses and examinations required for application for registration are prescribed by the Commission and administered by the Manitoba Real Estate Association (“MREA”) under the Real Estate Division. Educational standards are under the governance of the Registrar who serves as a member of the MREA’s Education and Examination Review Committee.

During the 2011/12 there were 863 enrolments in the real estate pre-licensing courses. Individuals wanting to become a qualified real estate salesperson must successfully complete all 3 phases of the pre-licensing course program before they can register with the Commission.

Through the MREA industry registrants must also complete 6 hours of a Mandatory Continuing Education (MCE 11) and Legal Update and Practices Guidelines course to retain their licensing. This past year, being the eleventh for the industry’s continuing education course, had 2,113 registrants enrol and complete the continuing education course. The course material is compiled with the assistance and input of a number of the industry’s experts and reviewed and approved by the Education Committee, of which the Registrar is a member.

The MREA and Commission staff continuously review the content of the pre-licensing courses to determine whether or not they meet the needs of the industry. Also, on-line courses for persons wishing to become a fully licensed salesperson have been established and have proven to be popular for individuals pursuing a career in real estate. Informational material for individuals interested in looking at a career in real estate can be obtained at various career symposiums as well as through the Commission and MREA websites. Further dialogue will be initiated during the next year to ensure the educational courses continue to meet the needs of both the real estate industry and the public.

The Commission partnered with the Canadian Association of Accredited Mortgage Professionals (CAAMP) to introduce an educational standard for new registrants to enter into the mortgage brokerage industry as a salesperson and is currently seeking their input to develop a mortgage broker course that would allow a salesperson, after fulfilling the requisite experience, to advance to the management level.

Registrations

There were 2,625 registrations issued for real estate salespersons, authorized officials and brokers. In addition to the new and renewal registrations for members of the real estate industry the Commission also deals with re-licensing and transferring of the members licenses due to a variety of different circumstances.

There were 50 renewal registrations issued for mortgage brokers (formerly mortgage dealers) that included mortgage salespersons, authorized officials and brokers. In addition, and specifically applicable to the new “restricted” mortgage broker category, there were 309 registrations of salespersons, authorized officials and brokers.

Financial Filings and Compliance Audits

The Commission reviews the Annual Trust Account Reports and Mortgage Broker Trust Compliance Reports (includes financial statements) that the brokers file with the Registrar and advise brokers on compliance with the trust accounting provisions of the statutes. The compliance program consists of field audits and follow-up field audit visits and provides information to the professional accountants who prepare the statutory reports.

During the year staff reviewed 418 reports filed by brokers of the real estate and mortgage brokerage industry as well as 23 brokers that filed final close-out reports having ceased business operations throughout the year. There were no suspensions this past year due to the failure by a broker to file their report within the prescribed time periods however there were numerous Reprimands and Warnings issued.

Investigation and Enforcement

The enforcement program addresses the following areas of investigation.

- Investigation of complaints alleging infractions of the statutes and improper conduct.
- The background of applicants and conduct of registrants.
- Investigation of alleged unregistered activities.

In addition to the number of miscellaneous complaints and inquiries handled on a daily basis, there were 98 formalized written complaints under investigation during 2011/12. The investigation of 58 of these complaints was still at some stage of the investigative process as at March 31/12. The complaints where the investigation had been finalized saw the following results:

- 28 complaints were unsubstantiated or were resolved with the assistance or intervention of Commission staff
- 9 complaints resulted in some form of warning or reprimand action being taken against a registrant
- 3 complaints resulted in other action (Discussion by Commission staff with the broker or salesperson will sometimes result in reaching a complaint being resolved)

Legislation And Policy

Policy Development

Staff in the Real Estate section administers real estate registration, education and general policies.

The Registrar serves on The Real Estate Advisory Council, a non-statutory body that advises and makes recommendations to the Commission and the MREA on real estate issues. The Council consists of 10 members representing various stakeholders with the Registrar being the Commission's representative.

The Council did not meet formally during 2011/12 due to the fact the previous Registrar, Bill Baluk, retired early in the fiscal year and the transition did not afford the Commission's new Registrar an opportunity to meet with the Council members however, there were other methods utilized to discuss matters that required immediate attention. The Council's major project had been to complete certain amendments to the Offer to Purchase which they had fulfilled and on August 1/11, after all registrants had been exposed to a mandatory re-education course that addressed the changes, the amended document was adopted for usage by the industry.

Trust Accounts

Interest earned on Brokers' Trust Accounts

The Commission receives interest earned on the balances held in brokers trust accounts from various financial institutions. The Real Estate Advisory Committee established by the Regulations under *The Real Estate Brokers Act* recommends uses for real estate related projects for this interest that the Commission receives. Monies that are not designated for projects are paid to the Minister of Finance on March 31st of every year.

The results related to 2011/12 are as follows:

RECEIPT'S (in 000's)

Received		<u>\$151</u>
Disbursed to or set aside for the MREA		
Pre-Licensing Course Review	\$39	
Manitoba Tipi Mitawa (Affordable Housing) Manager, Professional Standards	36	
	60	
Minister of Finance	<u>16</u>	
Total Disbursements		<u>\$151</u>

Unclaimed Trust Account

Section 26 of *The Real Estate Brokers Act* allows brokers to pay amounts of unclaimed trust monies, following the prescribed time period of 2 years, to the Commission for retention in a consolidated trust account. Trust monies received by the Commission are held under trust conditions pending receipt of a claim by the rightful owner. This account maintains a stipulated annual reserve balance as at the fiscal year end with all monies in excess being paid to the Minister of Finance.

The Results related to 2011/12 are as follows: RECEIPT in (\$000's)

Balance forward at April 1/11	\$25	
Received during the fiscal year	<u>23</u>	
Sub Total		\$48
Returned under a rightful owner claim	\$ 5	
Disbursement to the Minister of Finance	18	
Total Disbursements		<u>23</u>
Residual (Reserve) Balance		<u>\$25</u>

Part V

Information Technology



Overview

As of March 31, 2012 the Commission had the following internal systems in place:

- Manitoba Securities Commission Information System 2.0 (MSCIS 2.0) and
- Real Estate On-line Registration System

The real estate system gives registrants the ability to register on-line and use a credit card option for payments.

The Commission uses Microsoft Great Plains, an accounting and financial reporting software package for all its accounting and reporting needs.

As well, the Commission 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) and
- National Registration Database (NRD)

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 Brokers Act* and *The Mortgage Dealers Act*. Maintenance and development of these internal and external systems insure that daily operations run effectively and efficiently.

The Commission has a standing IT Committee that meets regularly to evaluate and prioritize the Commission's information systems requirements. The Commission uses Request Tracker to track the various changes that are requested and made to MSCIS 2.0.

Part VI

The Public Interest Disclosure (Whistleblower Protection) 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 (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; or, knowingly directing or counseling 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 Manitoba Securities Commission for the fiscal year 2011/12.

Information Required Annually (per Section 18 of The Act)	Fiscal Year 2011/12
The number of disclosures received, and the number acted on and not acted on. <i>Subsection 18(2)(a)</i>	NIL
The number of investigations commenced as a result of a disclosure. <i>Subsection 18(2)(b)</i>	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. <i>Subsection 18(2)(c)</i>	NIL

Part VII

Financial Discussion



Management's Discussion and Analysis

The following is a discussion and analysis for the operating results of The Manitoba Securities Commission for the year ended March 31, 2012. It should be read in conjunction with the Commission's audited financial statements.

As of April 1, 2011, the Commission adopted Public Sector Accounting Standards (PSAS) with a transition date of April 1, 2010. More details on this transition are provided in the notes to the financial statements.

Operation Results

Net Income

Net income for the year ended March 31, 2012 was \$2.2 million, an increase over the prior year by \$818,000. Revenues of \$15.1 million exceeded budget by \$3.5 million. Expenses of \$4.1 million came in under budget by \$610. The net result was net income exceeded budgeted net loss of (\$1,930) by \$4.1 million.

Revenue

The Commission exceeded its revenue targets by \$3.5 million or 30% because of increased market activity. This year's revenue totaled \$15.1 million, as compared to last year's total of \$14.3 million. See Table 1 for details.

Table 1

Revenue (000's)	2012	% of Total	2011	% of Total	2012 % Increase/ (Decrease) from 2011
Corporate Finance Fees	\$ 8,915	59 %	\$ 8,313	59 %	7 %
Registration Fees	5,405	36 %	5,321	37 %	2 %
Application Filing Fees	162	1 %	156	1 %	4 %
Real Estate Fees	474	3 %	405	3 %	17 %
Investment Income	101	1 %	54	- %	87 %
Miscellaneous	2	- %	1	- %	100 %
	\$ 15,059	100 %	\$ 14,250	100 %	6 %

Corporate finance fees and registration fees accounted for 95% of the Commission's 2012 revenues. Corporate finance fees are made up 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.

Expenses

Overall, total expenses for fiscal year 2012 were \$4.060 million, a very small decrease from fiscal year 2011 (\$4.069 million). See Table 2 for details.

Table 2

Expenses (000's)	2012	% of Total	2011	% of Total	2012 % Increase/ (Decrease) From 2011
Salaries and Benefits	\$ 2,796	69 %	\$ 2,803	69 %	(.25 %)
Operating Expenses*	1,248	31 %	1,245	31 %	.24 %
Amortization	16	- %	21	- %	(31 %)
	\$ 4,060	100 %	\$ 4,069	100 %	(.22 %)

* For details of expenses refer to the Statement of Income in the Audited Financial Statements.

Total expenses were 15% below budget. Variances in salaries and benefits and operating expenses are explained below.

Salaries and Benefits

Overall, salaries and benefits decreased by .25% (or \$7.0) over the previous year. For the fiscal year ending March 31, 2012, salaries and benefits were 13% below budget due to two vacancies and the impact of the Voluntary Reduced Work Week program.

Operating Expenses

Operating expenses for the fiscal year were .24% higher than last year and were under budget by \$249 or 20% primarily due to:

- Contract Services – under budget by \$90.0 due to lower than expected desktop support and information system support charges.
- CSA Initiative spending was under budget by \$28.0 due to lower than expected expenditures for national initiatives.
- Travel – under budget by \$28.0 due to lower than expected number of trips.
- Staff Development – under budget by \$16.0 due to lower than expected training.
- Office Materials and Supplies – under budget by \$31.0 due to lower than expected publishing and printing costs.
- Research Resources – under budget by \$17.0 due to lower than expected costs for education resource materials.
- Education Initiatives – under budget by \$31.0 due to timing of some initiatives.

Operating expenses also reduced by the impact of a government wide expenditure management program, to which the Commission was subject to.

Expenses over budget were:

- Professional Services - over budget by \$15.0 due to unforeseen costs related to investigations.

Capital Expenditures

Capital expenditures for the year were NIL. Capital expenditures are financed by funds provided through operations.

Liabilities

Accrued liabilities were \$48.0 compared to \$32.0 in fiscal 2011. The March 31, 2012 balance represents accrued vendor obligations. Accrued vacation and severance liabilities were \$236.0 and \$279.0 respectively as at March 31, 2012 (March 31, 2011 - \$238.0 and \$278.0). Accrued salaries and benefits were \$50.0 for the year ending March 31, 2012 compared to \$43.0 at March 31, 2011. PSA Standards require the recognition of a liability for sick pay benefit obligations that accumulate but do not vest. The Commission has not recorded an accrued sick pay benefit obligation as it has been determined to be immaterial.

Transfer of Funds to the Province of Manitoba

The Commission made the required quarterly payments to the Province of Manitoba totaling \$8.8 million. The payment amount is calculated annually and is included in the Commission's business plan as a transfer to the Province of Manitoba in the Statement of Operations.

Liquidity

Liquidity can be defined as 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 Commission 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 Commission had cash and cash equivalents of \$12.6 million as of March 31, 2012 and has access to a working capital advance of \$500.0 with the Special Operating Agencies Financing Authority.

The portfolio investment of \$269.0 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 investment is to be utilized to repay employee vacation and severance balances which existed at the time the Commission became a Special Operating Agency.

As at March 31, 2012 the Commission has \$750.0 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. These funds are invested with the Province of Manitoba Treasury Division and allow the Commission the flexibility to access these funds when needed.

Outlook 2012/2013

For the fiscal year ending March 31, 2013, the Commission has budgeted revenue of \$12 million and budgeted expenses of \$4.8 million. Transfers to the Province of Manitoba for the fiscal year 2012-13 are again set at \$8.8 million.

With the Commission having no control over market activity, budgeted revenues are subject to variability.

THE MANITOBA SECURITIES COMMISSION

Financial Statements

For the years ended March 31, 2012
and March 31, 2011

THE MANITOBA SECURITIES COMMISSION

Financial Statements
For the years ended March 31, 2012 and March 31, 2011

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Management's Responsibility for Financial Reporting

The accompanying financial statements are the responsibility of the management of **THE MANITOBA SECURITIES COMMISSION** and have been prepared in accordance with 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 SECURITIES COMMISSION** are fairly represented in accordance with 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

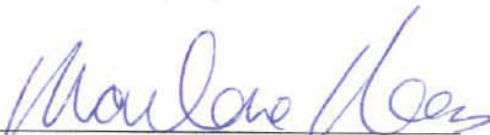
THE MANITOBA SECURITIES COMMISSION



Donald G. Murray, Chair and CEO



R.B. Bouchard, CA, Director and CAO



Marlene Nemes, CMA, Controller

June 6, 2012



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Independent Auditor's Report

To The Special Operating Agencies Financing Authority

We have audited the accompanying financial statements of **THE MANITOBA SECURITIES COMMISSION**, which comprise the statement of financial position as at March 31, 2012, March 31, 2011 and April 1, 2010, and the statements of operations, change in net financial assets and cash flow for the years ended March 31, 2012, and March 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **THE MANITOBA SECURITIES COMMISSION** as at March 31, 2012, March 31, 2011, and April 1, 2010, and the results of its operations and its cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with Public Sector Accounting Standards.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
June 6, 2012

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THE MANITOBA SECURITIES COMMISSION
Statement of Financial Position
(in thousands)

	March 31 2012	March 31 2011	April 1 2010
	Actual	Actual	Actual
Financial Assets			
Cash and cash equivalents (Note 6)	\$ 12,626	\$ 10,382	\$ 8,978
Accounts receivable (Note 7)	28	40	15
Portfolio investments	1,019	1,019	1,019
	13,673	11,441	10,012
Liabilities			
Accounts payable and accrued liabilities	48	32	56
Accrued vacation entitlements	236	238	227
Accrued salaries and benefits	50	43	31
Employee future benefits (Note 8)	279	278	251
	613	591	565
Net Financial Assets	13,060	10,850	9,447
Non-financial Assets			
Tangible capital assets (Note 9)	28	44	63
Prepaid expenses	47	42	45
	75	86	108
Accumulated surplus	\$ 13,135	\$ 10,936	\$ 9,555

Designated assets (Note 10)

Commitments (Note 11)

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

THE MANITOBA SECURITIES COMMISSION
Statement of Operations
(in thousands)

For the years ended March 31	2012	2012	2011
	Budget	Actual	Actual
Revenue			
Fees	\$ 11,500	\$ 14,956	\$ 14,195
Interest	40	101	54
Miscellaneous	-	2	1
	<u>11,540</u>	<u>15,059</u>	<u>14,250</u>
Expenses			
Amortization - capital assets	21	16	21
CSA initiatives*	132	104	98
Contract services	360	270	283
Education/Information initiatives	197	166	184
Miscellaneous	28	20	25
Office materials and supplies	111	80	77
Premises	286	278	262
Professional services	127	142	127
Research resources	55	38	32
Salaries and benefits	3,152	2,796	2,803
Staff development and professional dues	44	28	32
Telecommunications	66	59	62
Travel	91	63	63
	<u>4,670</u>	<u>4,060</u>	<u>4,069</u>
Annual operating surplus	6,870	10,999	10,181
Transfer to the Province of Manitoba (Note 12)	8,800	8,800	8,800
Annual surplus (deficit)	(1,930)	2,199	1,381
Accumulated surplus, beginning of year	7,639	10,936	9,555
Accumulated surplus, end of year	\$ 5,709	\$ 13,135	\$ 10,936

* Canadian Securities Administrators

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

THE MANITOBA SECURITIES COMMISSION
Statement of Change in Net Financial Assets
(in thousands)

For the years ended March 31	2012	2012	2011
	Budget	Actual	Actual
Annual surplus (deficit)	\$ (1,930)	\$ 2,199	\$ 1,381
Tangible Capital Assets			
Acquisition of tangible capital assets	(40)	-	(2)
Amortization of tangible capital assets	21	16	21
Net change in tangible capital assets	(19)	16	19
Other Non-financial Assets			
Increase (decrease) in prepaid expense	-	(5)	3
Net acquisition of other non-financial assets	-	(5)	3
Increase (decrease) in net financial assets	(1,949)	2,210	1,403
Net financial assets, beginning of year	7,554	10,850	9,447
Net financial assets, end of year	\$ 5,605	\$ 13,060	\$ 10,850

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

THE MANITOBA SECURITIES COMMISSION
Statement of Cash Flow
(in thousands)

For the years ended March 31	2012	2011
	Actual	Actual
Cash Provided by (applied to):		
Operating		
Annual surplus	\$ 2,199	\$ 1,381
Amortization of tangible capital assets	16	21
	2,215	1,402
Change in		
Accounts receivable	12	(25)
Prepaid expenses	(5)	3
Accounts payable and accrued liabilities	16	(24)
Accrued vacation entitlements	(2)	11
Accrued salaries and benefits	7	12
Employee future benefits	1	27
Cash provided by operating activities	2,244	1,406
Capital		
Acquisition of capital assets	-	(2)
Increase in cash and cash equivalents	2,244	1,404
Cash and cash equivalents, beginning of year	10,382	8,978
Cash and cash equivalents, end of year	\$ 12,626	\$ 10,382

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

THE MANITOBA SECURITIES COMMISSION

Notes to Financial Statements

(in thousands)

For the years ended March 31, 2012 and March 31, 2011

1. Nature of Organization

Effective April 1, 1999 the Lieutenant Governor in Council designated the 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 Commission.

The 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.

In 2002, the Minister of Finance became the Minister responsible for the Commission.

2. Basis of Accounting

As of April 1, 2011, the Commission adopted Public Sector Accounting (PSA) Standards with a transition date of April 1, 2010. More details on this transition are provided in Note 4.

The adoption of PSA Standards includes early adoption of PS 3450 Financial Instruments, PS 1201 Financial Statement Presentation, and new PS 3410 Government Transfers.

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.

Financial Assets

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

THE MANITOBA SECURITIES COMMISSION
Notes to Financial Statements
(in thousands)

For the years ended March 31, 2012 and March 31, 2011

3. Significant Accounting Policies (continued)

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

- (a) 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.
- (b) 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 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.

THE MANITOBA SECURITIES COMMISSION
Notes to Financial Statements
(in thousands)

For the years ended March 31, 2012 and March 31, 2011

4. First-time Adoption of Public Sector Accounting Standards

In previous years, the Commission was classified as a Government Business-Type Organization (GBTO) and followed the recommendations of the Canadian Institute of Chartered Accountants (CICA) Accounting handbook – Part V. In October 2009, the Public Sector Accounting Board (PSAB) determined that the category will cease to exist for fiscal years ending on or after January 1, 2011 and GBTOs are required to reclassify themselves in accordance with Public Sector Accounting (PSA) standards. In accordance with recommendations of the Public Sector Accounting Handbook, the Commission has determined that it is an “other government organization” and has determined that PSA Standards are the most appropriate framework for reporting purposes.

These new standards were required to be applied retroactively. The impacts of this change are as follows:

Portfolio Investments

	March 31 2011	April 1 2010
Portfolio investments as per previous financial statements	\$ -	\$ -
Add: Amounts reclassified from restricted short-term deposits to portfolio investments (Note (i))	750	750
Less: Amounts reclassified from long-term investments (Note (i))	269	269
Portfolio investments as per PSA Standards	<u>\$ 1,019</u>	<u>\$ 1,019</u>

Accumulated Surplus

	March 31 2011	April 1 2010
Equity as per previous financial statements	\$ 10,186	\$ 8,805
Add: Amount reclassified from reserve fund (Note (i))	750	750
Accumulated surplus as per PSAB Standards	<u>\$ 10,936</u>	<u>\$ 9,555</u>

THE MANITOBA SECURITIES COMMISSION
Notes to Financial Statements
(in thousands)

For the years ended March 31, 2012 and March 31, 2011

4. First-time Adoption of Public Sector Accounting Standards (continued)

<u>Annual Surplus</u>	March 31 2011
Net Income as per previous financial statements – March 31, 2011	\$ 10,181
Less: Transfer to the Province of Manitoba previously shown as a reduction of retained earnings (Note (ii))	<u>8,800</u>
Annual surplus as per PSA Standards	<u>\$ 1,381</u>

- (i) PSA Standards require information about designated assets to be disclosed in the notes, and not on the statement of financial position. Therefore, designated assets previously classified as "long-term investments" and "restricted short-term deposits" are reclassified to "portfolio investments" on the statement of financial position and reserve fund has been reclassified as accumulated surplus, with the information disclosed in (Note 10).
- (ii) Transfer to the Province of Manitoba is now presented as an expenditure in the statement of operations. In the previous financial statements, these transfers were presented as a reduction of retained earnings.

5. 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 Commission records its financial assets and liabilities at cost, which include cash and cash equivalents, accounts receivable and portfolio investments. The Commission also records its financial liabilities at cost, which include working capital advances and accounts payable.

Gains and losses on financial instruments measured at fair value are recorded in accumulated surplus as remeasurement gains and losses until realized. Upon disposition of the financial instruments, the cumulative remeasurement gains and losses are reclassified to the statement of operations. Gains and losses on financial instruments measured at cost or amortized cost are recognized in the statement of operations in the period the gain or loss occurs.

THE MANITOBA SECURITIES COMMISSION

Notes to Financial Statements

(in thousands)

For the years ended March 31, 2012 and March 31, 2011

5. Financial Instruments and Financial Risk Management (continued)

Financial Risk Management Overview

The Commission has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest risk; and foreign currency 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 Commission to credit risk consist principally of cash and cash equivalents, portfolio investments, and accounts receivable.

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

		<u>2012</u>		2011
Cash and cash equivalents	\$	12,626	\$	10,382
Accounts receivable		28		40
Portfolio investments		<u>1,019</u>		<u>1,019</u>
	\$	<u>13,673</u>	\$	<u>11,441</u>

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

Accounts receivable: The Commission is not exposed to significant credit risk as receivables consist of accrued interest owing from the Province of Manitoba and trade amounts owed primarily from other entities within the Government of the Province of Manitoba and payment in full is typically collected when it is due. The Commission 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, 2012 (Nil in 2011).

THE MANITOBA SECURITIES COMMISSION
Notes to Financial Statements
(in thousands)

For the years ended March 31, 2012 and March 31, 2011

5. Financial Instruments and Financial Risk Management (continued)

Liquidity Risk

Liquidity risk is the risk that the Commission will not be able to meet its financial obligations as they come due.

The Commission 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.

Market Risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Commission's income or the fair values of its financial instruments. The significant market risk the Commission is exposed to is interest rate risk.

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.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Commission is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

6. Cash and Cash Equivalents

The Commission invests all surplus cash in short-term deposits with the Province of Manitoba, which are made up of ninety day callable term deposits.

7. Accounts Receivable

	<u>2012</u>	<u>2011</u>
Accrued interest	\$ 16	\$ 14
Trade	12	26
	<u>\$ 28</u>	<u>\$ 40</u>

THE MANITOBA SECURITIES COMMISSION

Notes to Financial Statements

(in thousands)

For the years ended March 31, 2012 and March 31, 2011

8. Employee Future Benefits

	2012	2011
Severance benefits	<u>\$ 279</u>	<u>\$ 278</u>

Pension benefits

Employees of The Manitoba Securities Commission 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 Manitoba Securities Commission, through the Civil Service Superannuation Fund (CSSF).

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

Commencing April 1, 2001, The Manitoba Securities Commission was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2012 was \$125 (\$121 in 2011). Under this Agreement, The Manitoba Securities Commission has no further pension liability.

Severance benefits

The amount of 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 the 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, 2008. The report provides a formula to update the liability on an annual basis. The Commission's actuarially determined net liability for accounting purposes as at March 31, 2012 was \$279 (\$278 in 2011). Commencing in the 2009 fiscal year, the accumulated actuarial loss of \$27 based on the actuarial reports will be amortized over the 15 year expected remaining service life of the employee group.

THE MANITOBA SECURITIES COMMISSION
Notes to Financial Statements
(in thousands)

For the years ended March 31, 2012 and March 31, 2011

8. Employee Future Benefits (continued)

Significant long-term actuarial assumptions used in the March 31, 2008 valuation, and in the determination of the March 31, 2012 present value of the accrued severance benefit obligation were:

Annual rate of return		
Inflation component		2.00%
Real rate of return		4.00%
		6.00%
Assumed salary increase rate		
Annual productivity increase		1.00%
Annual general salary increase		2.75%
		3.75%

Sick pay benefits

The Commission 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 Commission has not recorded an accrued sick pay benefit obligation as it has been determined to be immaterial.

9. Tangible Capital Assets

	2012			2011	
	Opening Balance	Additions	Disposals	Closing Balance	Total
Cost					
Office equipment	\$ 40	\$ -	\$ -	\$ 40	\$ 40
Furniture and fixtures	153	-	-	153	153
Leasehold improvements	41	-	-	41	41
Computer hardware	140	-	-	140	140
Computer software	863	-	-	863	863
	1,237	-	-	1,237	1,237
Accumulated Amortization					
Office equipment	36	3	-	39	36
Furniture and fixtures	147	3	-	150	147
Leasehold improvements	15	4	-	19	15
Computer hardware	135	3	-	138	135
Computer software	860	3	-	863	860
	1,193	16	-	1,209	1,193
Net book value	\$ 44	\$ (16)	\$ -	\$ 28	\$ 44

THE MANITOBA SECURITIES COMMISSION
Notes to Financial Statements
(in thousands)

For the years ended March 31, 2012 and March 31, 2011

10. Designated Assets

Designated assets are distinct from restricted assets. Unlike restricted assets, the Commission or the Government can readily change its by-law or resolution and use the designated assets for another purpose if the need arises. The Commission has allocated \$1019 (\$1,019 in 2011) of its portfolio investments as designated assets for the following purposes:

The Commission maintains separate deposits of \$750 (\$750 in 2011) 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 Commission has received \$269 (\$269 in 2011) 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. Any unused balance is re-invested annually.

11. Commitments

The Commission has entered into a lease agreement commencing October 1, 2005 for rental of facilities at 400 St. Mary Avenue, which expires September 30, 2020. Occupancy charges for the year ended March 31, 2012 were \$278. Minimum annual lease payments total \$279 per year for each of the next five years.

12. Transfer to the Province of Manitoba

Payments to the Consolidated Revenue Fund of the Province of Manitoba are set annually according to Treasury Board Directives, and paid in quarterly installments. Total transfers for the current year were \$8,800 (\$8,800 in 2011). The Treasury Board has approved payments of \$8,800 for the year ended March 31, 2013.

13. Working Capital Advances

These advances are provided to the Commission through the Special Operating Agencies Financing Authority pursuant to the Management Agreement. The Commission has an authorized line of working capital advance of \$500 which was unutilized at March 31, 2012 (Nil in 2011).

The Commission incurred no interest charges during the year (Nil in 2011).

THE MANITOBA SECURITIES COMMISSION
Schedule of Public Sector Compensation Disclosure
(in thousands)

For the year ended March 31, 2012

Employee	Title	Compensation
Don Murray	Chairman and CEO	\$ 144
Doug Brown	Director and Secretary to the Commission	133
Steven Gingera	Assistant Legal Counsel	129
Chris Besko	Assistant Legal Counsel	129
Kim Laycock	Assistant Legal Counsel	129
Bob Bouchard	Director and CAO	103
Marlene Nemes	Controller	89
William Baluk	Registrar	88
Paula White	Senior Compliance Officer	81
Wayne Bridgeman	Senior Analyst	80
Jason Roy	Senior Investigator	72
Carla L. Buchanan	Compliance Auditor	72
Isilda Tavares	Registration Officer	70
Ainsley Cunningham	Information Officer	69
Terry Kirkham	Investigator - Real Estate	68
Patrick Weeks	Analyst	66
Leonard Terlinski	Investigator	58
Timothy Tapley	Investigator	58
Liz Klippenstein	Programmer Analyst	56
Keith Schinkel	Deputy Registrar - Registrations	51

The Public Sector Compensation Disclosure Act requires all publicly funded bodies to disclose compensation to any employee or board member when such compensation exceeds \$50 per annum.



THE MANITOBA
SECURITIES
COMMISSION