

Manitoba Financial Services Agency

# 2015 Annual Report

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THE MANITOBA  
SECURITIES  
COMMISSION



FINANCIAL  
INSTITUTIONS  
REGULATION BRANCH



MINISTER OF  
FINANCE

Legislative Building  
Winnipeg, Manitoba, CANADA  
R3C 0V8



THE MANITOBA  
SECURITIES  
COMMISSION



FINANCIAL  
INSTITUTIONS  
REGULATION BRANCH

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

May it Please Your Honour:

I have the privilege of presenting for the information of Your Honour the Annual Report of the Manitoba Financial Services Agency for the fiscal year ended March 31, 2015.

Respectfully submitted,

*Original signed by Greg Dewar*

Honourable Greg Dewar  
Minister



The Honourable Greg Dewar  
Minister of Finance  
Room 103 Legislative Building  
Winnipeg, Manitoba  
R3C 0V8

Sir:

I submit for your approval the Annual Report of the Manitoba Financial Services Agency for the fiscal year ended March 31, 2015.

Respectfully submitted,

*Original signed by Donald G. Murray*

Donald G. Murray  
Chief Administrative Officer  
Manitoba Financial Services Agency



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The Manitoba Financial Services Agency is the Special Operating Agency of the Province of Manitoba that administers and enforces legislation for the province's securities and insurance sectors, real estate and mortgage brokers, credit unions, caisses populaires, co-operatives, and trust and loan companies.

The agency is made up of two divisions: The Manitoba Securities Commission and the Financial Institutions Regulation Branch.

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#### The Manitoba Securities Commission

##### **Mission**

The mission of The Manitoba Securities Commission (MSC) 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.

The MSC is responsible for administering and enforcing *The Securities Act*, *The Commodity Futures Act*, *The Real Estate Brokers Act* and *The Mortgage Brokers Act*.

##### **Mandate**

The mandate of MSC 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.

#### Financial Institutions Regulation Branch

##### **Mission**

The mission of the Financial Institutions Regulation Branch (FIRB) is to provide a legislative and regulatory framework to promote the orderly growth and development of cooperatives, credit unions and caisses populaires, and the insurance industry in Manitoba and ensure adequate standards are maintained to protect the public.

FIRB administers *The Insurance Act*, *The Credit Unions and Caisses Populaires Act* and *The Cooperatives Act*.



**Terry Kirkham**  
Registrar

**Paula White**  
Deputy Director,  
Compliance and  
Oversight

**Scott Moore**  
Deputy  
Superintendent of  
Financial Institutions

**Sue Henderson**  
Acting Deputy  
Director,  
Registrations

**Wayne Bridgeman**  
Deputy Director,  
Corporate Finance

# Building trust

The MFSA believes in establishing and sustaining confidence in all the markets and industries it oversees. The agency works to facilitate efficient and secure markets that provide protection for Manitobans, and ensures that companies operating in those markets comply with the province's established rules and regulations.

## Increasing transparency

As part of the agency's ongoing collaboration with other provincial securities regulators through the Canadian Securities Administrators (CSA), the Manitoba Securities Commission (MSC) introduced a series of amendments intended to increase transparency around the representation of women on boards of

directors and in senior management positions for all non-venture issuers.

These amendments were developed to assist investors in making investment and voting decisions, and require non-venture issuers to annually disclose the number of women on its board and in

executive officer positions, as well as disclosure about director term limits, policies related to the representation of women on the board, the board's consideration of gender representation in its selection processes and its gender targets for both the board and executive officers.

**684** prospectuses filed  
with **3,982** issuers  
included.

**20,687** registrations  
under The Securities Act.

**1,627** amendments and  
supplements received.

## Harmonizing OTC Derivatives

The MSC continued to implement Canada's G20 commitments to strengthen financial markets and manage specific risks related to over-the-counter (OTC) derivatives. Together with the CSA, the MSC introduced a national, uniform approach to OTC derivatives regulation that included the implementation of MSC Rule 91-507 *Trade Repositories and Derivatives Data Reporting*. Trade reporting brings transparency to a large and systemically important market, making it one of the most important elements in derivatives reform. During the 2014/15 fiscal year, the MSC designated a number of trade repositories and began collecting and analyzing the reported trade data.

## Modernizing The Insurance Act

Manitoba's legislature passed *The Insurance Amendment Act* in 2012, introducing numerous amendments that modernized and harmonized the province's insurance legislation in Manitoba with changes made in other Canadian jurisdictions. In 2014, a number of regulations related to these amendments were proclaimed, including consumer protection enhancements like providing claimants with better access to information about personal insurance contracts, protecting innocent persons from losing coverage due to the intentional acts of others and creating authority to licence incidental sellers of insurance.





**Jason Roy**  
Senior Investigator

**Chris Besko**  
Director and  
General Counsel

# Taking action

**The MFSA is dedicated to assessing, investigating and prosecuting those who breach Manitoba's securities laws. With extensive experience and understanding of the province's capital and real estate markets, our team is focused on providing clear, timely and fair enforcement.**

## Case spotlight

### FXCM

Both FXCM US and FXCM UK provided online trading services to Manitoba and New Brunswick investors in FX Spot Contracts, while FXCM UK also provided online trading services to investors in Manitoba and New Brunswick in contracts for difference.

Neither company was registered in any capacity in either jurisdiction.

Staff in Manitoba and New Brunswick worked collaboratively to negotiate the ultimate settlement with the firms. The Manitoba Securities Commission and Financial and Consumer Services Commission reached a settlement

agreement with FXCM US and FXCM UK in which the firms agreed to pay an administrative penalty of \$180,000, comprising of a \$158,000 payment to the MSC and \$22,000 payment to the Financial and Consumer Services Tribunal of New Brunswick.

### WFG

Following a compliance review of two Winnipeg-based WFG offices, MSC staff determined that WFG salespersons had recommended clients borrow funds to purchase securities when it was not suited to their personal circumstances, incorrectly overstated clients' investment knowledge and objectives on a significant number of "know your client" forms, and frequently did not explain the risks associated with leveraged accounts.

Following this review, WFG retained Compliance Alliance Inc. to examine 548 leveraged accounts, of which 86 per cent were assessed as requiring remediation. This review also identified 30 loans of \$190,000 or more (all assessed as requiring

remediation), 68 complaints regarding leverage and eight pre-signed forms. Compliance Alliance Inc. also made a number of recommendations to remedy a subset of leveraged accounts and develop a leverage training program, and an MSC panel subsequently issued an order to implement these recommendations.

In a settlement agreement with the MSC, WFG agreed to make a voluntary payment of \$250,000 to Manitoba's Minister of Finance and pay \$20,000 towards the costs of the MSC's investigation. This represents the largest payment made in Manitoba under a settlement agreement.

*“WFG acknowledges and agrees that it did not act fairly, honestly and in good faith toward [its] clients.”*

**-From the MSC settlement agreement with Transamerica Securities Inc. (formerly known as WFG Securities of Canada Inc.)**



**Kevan Hannah**  
Communications  
Coordinator

**Ainsley  
Cunningham**  
Manager, Education  
and Communications

# Sharing knowledge

The MFSA's educational programs are designed to assist the public with understanding their roles and responsibilities when engaging in the province's financial markets. The agency has developed numerous resources that enable Manitobans to ask the right questions and make informed decisions about their money.

## Recognizing investment fraud

Education and communications staff recognized Investor Education Month in October 2014 with the Recognize Investment Fraud campaign that encourages retail investors to learn the red flags of fraud, understand common types of scams, follow four easy steps to check the registration

of their financial adviser and report suspicious activity to the MSC. During the campaign, Manitobans could visit [RecognizeInvestmentFraud.com](http://RecognizeInvestmentFraud.com) to test their ability to recognize different frauds and download the MSC's free resources.

# 7,450

visits to the **Recognize Investment Fraud website** from March 2014 to April 2015.

*“Anyone can be the victim of fraud, even those who are financially savvy. The best way to avoid becoming a victim of an investment scam is to spot it ahead of time. Investors can learn to recognize a fraud by looking for the common red flags.”*

**Chris Besko**  
MSC Director and General Counsel

## Alerting investors

In an effort to be more proactive about notifying the public of potential misconduct or fraud targeting Manitobans, the MSC developed a streamlined investor alert protocol and began publishing its Investor Caution list online. Since its inception in 2014, this new protocol has highlighted a recovery room scheme targeting Maitland Capital investors and solicitations involving unregistered firm Stratus Financial Group International. Agency staff also acted as the lead jurisdiction for the CSA's investor alert on binary options, which named 37 online trading platforms that posed a potential threat to Canadian investors.

## Connecting with industry

A new tribunal process for terminated members of housing co-operatives brought about a training opportunity for volunteer co-op members. In early 2015, FIRB staff connected with the co-op community and provided designates from each housing co-op with a one day training session that detailed this new process and provided members with information and resources to ensure that terminated members have a fair chance at appealing the termination decision.





# Message from the CAO

This is the third Annual Report of The Manitoba Financial Services Agency, a Special Operating Agency (SOA). In 2012, the former Manitoba Securities Commission SOA was renamed the Manitoba Financial Services Agency and merged with the Financial Institutions Regulation Branch. Since then, the MSC and FIRB have operated as divisions of the MFSA.

The merger brought regulation of the majority of Manitoba's financial service industries into a single organization. The MFSA is now responsible for regulating securities, real estate, insurance, co-operatives, credit unions and trust industries in the province.

The goal of the MFSA is to develop synergies between its two divisions and enhance the level of regulation that both provide to Manitoba. In the summer of 2014, and after considerable planning, FIRB relocated to the same building as the MSC. The proximity of premises has allowed both divisions to operate in close connection and assist each other in protecting and serving financial product consumers of Manitoba, as well as affected markets and industries.

## The Manitoba Securities Commission

The MSC continues to work cooperatively with its colleagues in the CSA on regulatory improvements at local, national and international levels. We continue to enhance the CSA's Passport system as well as modernize Canada's regulatory system, including work on advisors' standard of care, mutual fund fee structures and a review of the exempt market. CSA members are also keeping pace with other international regulators by implementing many of the G20 and IOSCO regulatory initiatives.

The functional areas of the MSC's Securities Division, which include Registrations, Compliance and Oversight, Corporate Finance, Enforcement, and Education and Communications, all continue to operate at a high level while also contributing their time and effort to national initiatives and policy

developments through the CSA's various committees and working groups.

The MSC's Real Estate Division maintains oversight of Manitoba's real estate and mortgage brokers through cooperative efforts, field audits, investigations and industry education programs. The new *The Real Estate Services Act*, which is intended to replace *The Real Estate Brokers Act* with modernized legislation, received its second reading and was passed through committee. It is expected to be enacted in the coming fiscal year, and work is progressing on the accompanying regulations.

## Financial Institutions Regulation Branch

2014 saw a number of regulations related to *The Insurance Amendment Act* being proclaimed. The new act represents a major modernization

for insurance legislation in Manitoba, largely harmonizing the province with other Canadian jurisdictions. In moving forward, FIRB staff is prepared to administer these regulations, as well as regulations under *The Cooperatives Act* that were finalized and implemented during the past fiscal year.

Staff is also preparing for the Office of the Superintendent of Financial Institutions to withdraw from conducting oversight reviews of Credit Union Central of Manitoba. This change is scheduled for 2016, after which the MFSA will be responsible for providing prudential oversight.

## Acknowledgements

The MSC greatly benefits from the volunteer members of three advisory groups: the Securities Advisory Committee, the Real Estate Advisory Council and Real Estate Advisory Committee. Recognition should also be given to the part-time Commission members who apply their knowledge and expertise to the benefit of Manitoba's investors. Special acknowledgement must be given to Lynne McCarthy and Kathleen Hughes, who retired in 2014 after years of exemplary service to the province's markets and investors.

Message from the CAO



**Chris Besko**  
Director and  
General Counsel

**Scott Moore**  
Deputy  
Superintendent of  
Financial Institutions

**Paula White**  
Deputy Director,  
Compliance and  
Oversight

**Terry Kirkham**  
Registrar

**Sue Henderson**  
Acting Deputy  
Director,  
Registrations

**Don Murray**  
CAO / Chair and CEO

**Marlene Nemes**  
Deputy Director,  
Finance and  
Administration

**Ken Lofgren**  
Acting  
Superintendent of  
Financial Institutions

**Ainsley  
Cunningham**  
Manager, Education  
and Communications

**Wayne Bridgeman**  
Deputy Director,  
Corporate Finance

**Jason Roy**  
Senior Investigator

FIRB has legislative responsibility for both the Deposit Guarantee Corporation of Manitoba (DGCM), which guarantees deposits of credit unions and caisses populaires, and the Insurance Council of Manitoba (ICM), which provides regulatory oversight of insurance agents, brokers and adjusters. We would like to thank the DGCM board and the ICM council members for their dedicated service.

Both divisions of the MFSA have experienced departures of long serving senior staff, mostly through retirement. At the MSC we said farewell to Bob Bouchard (Director), Doug Brown (Director) and Isilda Tavares (Deputy Director of Registrations). FIRB saw the retirement of Jim Scalena (Superintendent of Insurance and Registrar of Credit Unions and Cooperatives). These staff members represented a significant part of the agency's senior management, and they consistently displayed the type of dedication, integrity and ability needed at the highest level of any organization. Their departures were a significant loss for the MFSA.

However, we have been fortunate to have other members of staff step forward in their absence. Chris Besko (Director), Wayne Bridgeman (Deputy Director of Corporate Finance) and Sue Henderson (Acting Deputy Director of Registrations) have filled the roles at the MSC, while Ken Lofgren (Acting Superintendent of Insurance and Registrar of Credit Unions and Cooperatives) has assumed responsibility at FIRB. As well, Scott Moore has agreed to assume additional responsibilities at FIRB by adding Deputy Registrar to his existing role as Deputy Superintendent of Insurance.

It is a testament to the depth and quality of the MFSA staff that these senior management positions could be filled internally. This professionalism and dedication is evident throughout our staff. It is truly appreciated and makes my job a lot easier.

**Donald G. Murray**  
Chief Administrative Officer,  
Manitoba Financial Services Agency and  
Chair and CEO of the MSC

Extended management team

**Don Murray**  
Chair and Chief Executive Officer

The Chair and Chief Executive Officer represents the MSC and leads the division in achieving its organizational objectives. The Chair directly oversees the Securities and Real Estate Divisions, as well as the Education and Communications area, and is responsible for addressing emerging issues relating to securities regulation in the province and across the country.

**Chris Besko**  
Director, General Counsel

The MSC's legal area enforces Manitoba's securities and real estate laws by prosecuting breaches of those laws in an effort to end current misconduct and prevent future contraventions. With prompt, fair and visible enforcement action, the legal team protects Manitoba investors by maintaining the integrity of Manitoba's capital and real estate markets.

**Terry Kirkham**  
Registrar

The MSC's Real Estate Division is responsible for registering the province's real estate and mortgage brokers and salespeople. Its team also conducts investigations into complaints about alleged violations of Manitoba's real estate and mortgage laws and provides public protection by upholding the industry's governance standards.

**Ken Lofgren**  
Deputy Superintendent,  
Deposit Taking

The deposit taking area of FIRB regulates the operations on Credit Union Central of Manitoba and the Deposit Guarantee Corporation of Manitoba, as well as the province's credit union and caisses populaires. The team also regulates Manitoba's co-operatives and assists with developing offering documents for credit unions, caisses populaires and co-ops that wish to sell investment shares to their members.

**Scott Moore**  
Deputy Superintendent, Insurance

FIRB's insurance area regulates and licenses private insurers and special insurance brokers. The team oversees the Insurance Council of Manitoba's dealings with all other insurance agents and adjusters, handles consumer complaints about insurers and the team collects premium taxes and the fire prevention tax on behalf of the Office of the Fire Commissioner.

**Wayne Bridgeman**  
Deputy Director, Corporate Finance

The Corporate Finance area provides ongoing regulatory services by reviewing offering documents and continuous disclosure filings, maintaining the reporting issuers list and analyzing applications for exemptive relief from securities legislation. In addition to these daily functions, Corporate Finance is active in drafting, developing and implementing rules and policies to improve capital market regulation in Manitoba and across Canada.

**Ainsley Cunningham**  
Manager, Education and  
Communications

The Education and Communications area leads the MSC's public engagement objectives through strategic communications that engage the agency's stakeholders with programs and materials that support investor education and fraud awareness. Through media relations, corporate communications, public information and internal communications, the team delivers relevant and timely public relations campaigns that help Manitobans become more informed and aware investors.

**Sue Henderson**  
Acting Deputy Director,  
Registrations

The Registrations area is responsible for registering market participants that are in the business of trading or advising in securities and commodity

exchange contracts within the province. The team also carries out CSA initiatives on a local level in order to enhance the registration process and maintain accurate records about the individuals and firms conducting business in Canada.

**Marlene Nemes**  
Deputy Director, Finance and  
Administration

The Finance and Administration area manages the Agency's financial reporting, prepares its annual budget, and provides accurate and timely financial reports to senior management. The area also supports all Agency staff by maintaining the organization's information technology and corporate service requirements, administering necessary programs and policies that are aligned to the MFSA's organizational objectives.

**Jason Roy**  
Senior Investigator, Investigations

The Investigations area conducts investigations and market surveillance by responding to securities and commodities complaints. The area's staff proactively monitors Manitoba's capital markets and works with an eye toward investor protection, including publishing timely alerts that warn retail investors about potentially fraudulent activities that target Manitobans.

**Paula White**  
Deputy Director, Compliance and  
Oversight

The Compliance and Oversight area develops and administers the MSCs compliance program to monitor the activities of registrants through audits, financial statement reviews and reviews of applications for registration. The team oversees self-regulatory organizations, including the Investment Industry Regulatory Organization of Canada and the Mutual Fund Dealers Association, as well as exchanges, clearing agencies, trade repositories and alternative trading systems.



**Commission members**



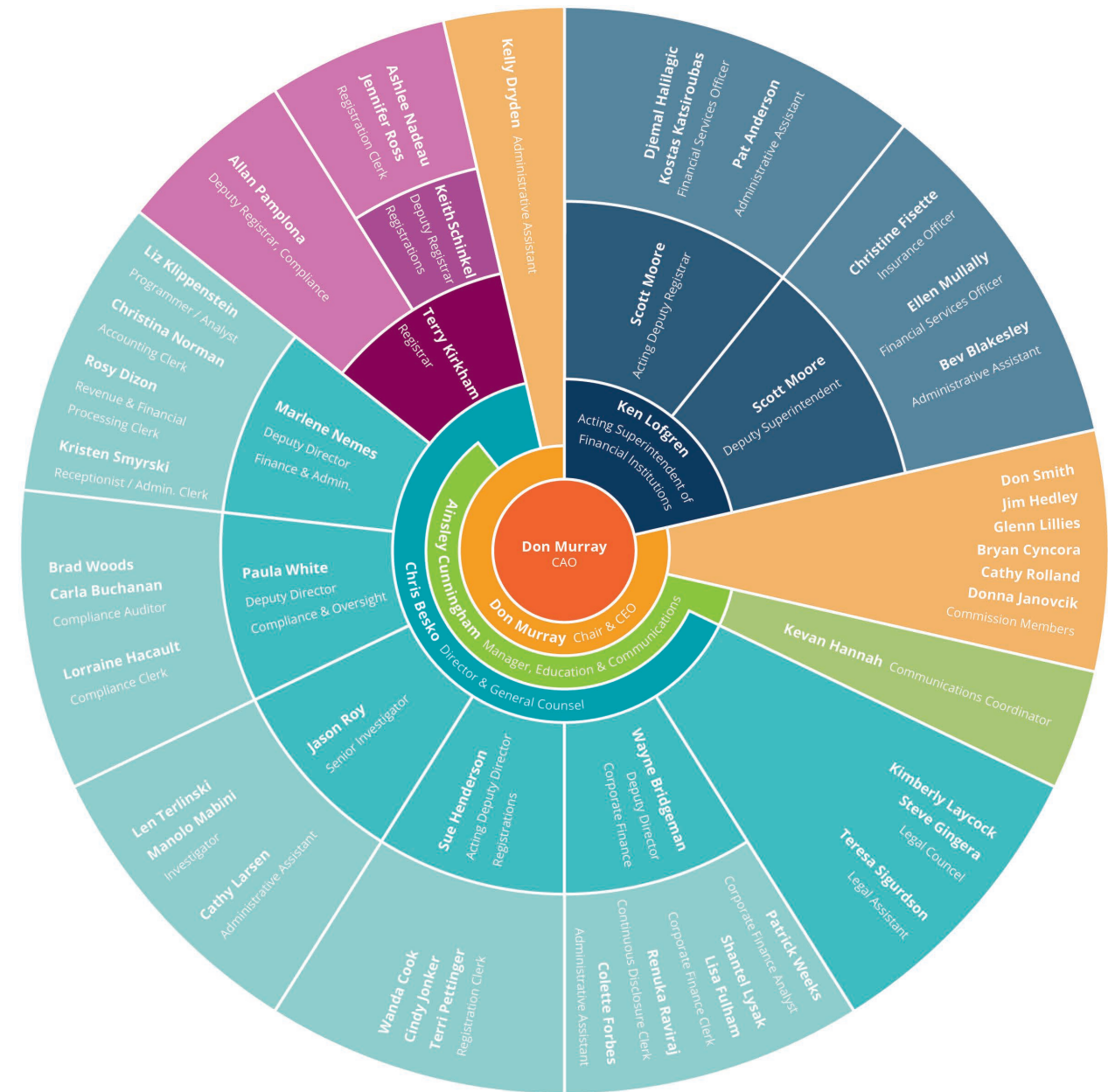
**Don Murray**  
Chair  
**Glenn Lillies**  
**Donna Janovcik**  
**Lynne McCarthy**  
Past Vice-chair  
**Cathy Rolland**  
**Jim Hedley**  
**Don Smith**  
Vice-chair  
Missing:  
**Brian Cyncora**  
**Kathleen Hughes**

The MSC has two operational levels, consisting of Commission members and staff. There are up to six part-time Commission members, including the Chair and Vice-chair. The Chair also acts as the MSC's Chief Executive Officer and is responsible for overseeing the agency's operations.

At March 31, 2015, the MSC's Commission members included Don Murray (Chair), Don Smith (Vice-chair), Brian Cyncora, Glenn Lillies, Jim Hedley, Cathy Rolland and Donna Janovcik.

These members meet regularly to formulate policy and regulation, consider applications for exemption from regulation requirements and determine if granting various orders authorized by legislation is in the public interest. The Commission members also serve a quasi-judicial function by sitting as adjudicators in Commission hearings. Their collective credentials and experience are varied and numerous, with each providing the MSC an expert guidance that drives the division toward its mission and mandate.

**Organizational overview**



The MFSA is made up of two divisions: The Manitoba Securities Commission and the Financial Institutions Regulation Branch.

The administrative arm of the MSC is divided into the Securities Division and the Real Estate Division; between them they have a combined 40 permanent full-time staff positions. Staff members are spread across numerous functional areas, including Registrations, Compliance and Oversight, Corporate Finance, Enforcement, and Education and Communications.

FIRB has 8.6 permanent full-time staff members, which includes the Superintendent, Deputy Superintendent of Insurance and Deputy Superintendent of Deposit Taking. The administrative arm consists of three financial services officers, a part-time insurance complaints officer and administrative support employees.

# Management's discussion and analysis

## Management's discussion and analysis

### Financial discussion

The following is a discussion and analysis for the operating results of Manitoba Financial Services Agency for the year ended March 31, 2015. It should be read in conjunction with the MFSA's audited financial statements.

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

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

### Operation Results

#### Net Income

Net income for the year ended March 31, 2015 was \$1.9 million, a decrease over the prior year by \$916,000. Revenues of \$18.7 million exceeded budget by \$1.7 million. Expenses of \$5 million came in under budget by \$1.07 million. The net result was net income exceeded budgeted net loss of (910,000) by \$2.8 million.

#### Revenue

The MFSA exceeded its revenue targets by \$1.7 million or 10% because of increased market activity. This year's revenue totalled \$18.7 million, as compared to last year's total of \$18.1 million.

<i>thousands of dollars</i>	2015	% of total	2014	% of total	% increase/ (decrease) from 2014
Corporate finance fees	\$ 10,290	55%	\$ 10,277	57%	0.13%
Registration fees	\$ 5,528	29%	\$ 5,451	30%	1.4%
Legal fees	\$ 518	3%	\$ 121	1%	328%
Real estate fees	\$ 518	3%	\$ 508	3%	2%
Investment income	\$ 172	1%	\$ 161	1%	7%
Miscellaneous income	\$ 18	- %	\$ 20	- %	(11)%
FIRB fees	\$ 1,683	9%	\$ 1,581	8%	6.4%
	<b>\$ 18,727</b>	<b>100%</b>	<b>\$ 18,119</b>	<b>100%</b>	<b>3.35%</b>

Corporate finance fees and registration fees accounted for 84% of the MFSA's 2015 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. FIRB fees consist of insurance fees, co-op/credit union regulation fees and trust and loan fees.

#### Expenses

Overall, total expenses for fiscal year 2015 were \$5.036 million, a .5% increase over fiscal year 2014 (\$5.012 million).

<i>thousands of dollars</i>	2015	% of total	2014	% of total	% increase/ (decrease) from 2014
Salaries and benefits	\$ 3,661	73%	\$ 3,739	75%	(2)%
Operating expenses*	\$ 1,357	27%	\$ 1,266	25%	7%
Amortization	\$ 18	- %	\$ 7	- %	157%
	<b>\$ 5,036</b>	<b>100%</b>	<b>\$ 5,012</b>	<b>100%</b>	<b>0.5%</b>

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



## Management's discussion and analysis

Total expenses were \$1.074 million (21%) below budget. Variances in salaries and benefits and operating expenses are explained below.

### Salaries and Benefits

Overall, salaries and benefits decreased by 2% or \$78,000 over the previous year. For the fiscal year ending March 31, 2015, salaries and benefits were 20% below budget due to 4 vacancies and the impact of the Voluntary Reduced Work Week program.

### Operating Expenses

Operating expenses for the fiscal year were 7% higher than last year and were under budget by \$345,000 or 20% primarily due to:

- » Contract services under budget by \$69,000 due to lower than expected website development costs and government records storage costs.
- » CSA Initiative spending was under budget by \$26,000 due to lower than expected expenditures for national initiatives.
- » Travel under budget by \$29,000 due to the timing of meetings.
- » Premises under budget by \$47,000 due to the date of possession for FIRB (Room 207) and MSC (remainder of fifth floor).
- » Office materials and supplies under budget by \$45,000 due to lower than expected publishing and printing costs.
- » Education initiatives under budget by \$118,000 due to timing of some initiatives.
- » Staff development and professional dues under budget by \$12,000 due to lower than expected staff development.
- » Research resources under budget by \$11,000 due to lower than expected education resource costs.
- » Professional services over budget by \$19,000 due to the higher than expected costs for record search services.

### Capital Expenditures

Capital expenditures for the year were \$116,000 which consisted of office equipment, office furniture and leasehold improvements for the expansion of the fifth floor and FIRB's relocation into 400 St. Mary Avenue. Computer software purchased consisted of Toad for Oracle. Capital expenditures are financed by funds provided through operations.

### Liabilities

Accrued liabilities were \$97,000 for the year ending March 31, 2015. This balance represents accrued vendor obligations. Accrued vacation and severance liabilities were \$306,000 and \$400,000 respectively as at March 31, 2015 (March 31, 2014 - \$334,000 and \$451,000). Accrued salaries and benefits were \$92,000 for the year ending March 31, 2015 compared to \$87,000 at March 31, 2014. Public Sector Accounting Standards require the recognition of a liability for sick pay benefit obligations that accumulate but do not vest. The MFSA 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 MFSA made the required quarterly payments to the Province of Manitoba totalling \$11.8 million. The payment amount is calculated annually and is included in the MFSA's business plan as a transfer to the Province of Manitoba in the Statement of Operations and Accumulated Surplus.

### 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 MFSA requires liquidity principally to finance its operations and capital expenditures. Its objective is to have sufficient funds available to maintain its operations, without impairment, should revenue decrease below expenses.

The Agency had cash and cash equivalents of \$20.4 million as of March 31, 2015 and has access to a working capital advance of \$500,000 with the Special Operating Agencies Financing Authority.

The portfolio investment of \$269,000 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 MSC became a Special Operating Agency.

## Management's discussion and analysis

As at March 31, 2015 the MFSA has \$750,000 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 MFSA the flexibility to access these funds when needed.

### 2015/16 Outlook

For the fiscal year ending March 31, 2016, the MFSA has budgeted revenue of \$17 million and budgeted expenses of \$6.2 million. Transfers to the Province of Manitoba for the fiscal year 2015-16 are set at \$11.8 million.

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

## Information Technology

As of March 31, 2015, the MFSA had the following internal systems in place:

- » Manitoba Securities Commission Information System 2.0 (MSCIS 2.0)
- » Real Estate Online Registration System: Online system for registrants to register and make payments via credit card.
- » CATS: Database for entering insurance agents, companies and adjusters
- » ISM: Database for all co-ops and credit unions

The MFSA uses Dynamics Great Plains and Management Reporter, an accounting and financial reporting software package for all its accounting and reporting needs. For accounts payable and payroll, the agency utilizes SAP with the department of Finance.

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

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

These systems allow the MSC 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 Brokers Act. Maintenance and development of these internal and external systems insure that daily operations run effectively and efficiently.

The MFSA uses Request Tracker to track the various changes that are requested for SEDAR and MSCIS 2.0.

Manitoba Financial Services Agency

# Financial statements

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## Management's Responsibility for Financial Reporting

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

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

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

On behalf of management,

### Manitoba Financial Services Agency



Donald G. Murray  
Chair and CEO

June 5, 2015



Marlene Nemes, CMA  
Deputy Director  
of Finance and Administration

## Independent Auditor's Report

To the Special Operating Agency Financing Authority,

We have audited the accompanying financial statements of the Manitoba Financial Services Agency, which comprise the statement of financial position as at March 31, 2015, and the statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, 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 Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### 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 Financial Services Agency as at March 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Chartered Accountants

Winnipeg, Manitoba  
June 5, 2015

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# Manitoba Financial Services Agency

## Statement of Financial Position (in thousands)

March 31	2015 actual	2014 actual
<b>Financial assets</b>		
Cash and cash equivalents (Note 5)	\$ 20,384	\$ 18,639
Accounts receivable (Note 6)	41	77
Portfolio investments	1,019	1,019
	<b>21,444</b>	<b>19,735</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	97	89
Accrued vacation entitlements	306	334
Accrued salaries and benefits	92	87
Employee future benefits (Note 7)	400	451
Deferred revenue	-	15
	<b>895</b>	<b>976</b>
<b>Net financial assets</b>	<b>20,549</b>	<b>18,759</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 8)	125	27
Prepaid expenses	54	51
	<b>179</b>	<b>78</b>
<b>Accumulated surplus</b>	<b>\$ 20,728</b>	<b>\$ 18,837</b>

Designated assets (Note 9)

Commitments (Note 10)

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

# Manitoba Financial Services Agency

## Statement of Operations and Accumulated Surplus (in thousands)

For the year ended March 31	2015 revised budget	2015 actual	2014 actual
<b>Revenue</b>			
Fees	\$ 16,900	\$ 18,537	\$ 17,938
Interest	100	172	161
Miscellaneous	-	18	20
	<b>17,000</b>	<b>18,727</b>	<b>18,119</b>
<b>Expenses</b>			
Amortization - capital assets	10	18	7
CSA initiatives*	91	65	69
Contract services	370	301	294
Education / Information initiatives	197	79	108
Miscellaneous	30	21	22
Office materials and supplies	120	75	107
Premises	505	458	340
Professional services	124	143	96
Research resources	54	43	42
Salaries and benefits	4,398	3,661	3,739
Staff development and professional dues	40	28	28
Telecommunications	81	83	77
Travel	90	61	83
	<b>6,110</b>	<b>5,036</b>	<b>5,012</b>
<b>Annual operating surplus</b>	<b>10,890</b>	<b>13,691</b>	<b>13,107</b>
<b>Transfer to the Province of Manitoba</b> (Note 11)	<b>11,800</b>	<b>11,800</b>	<b>10,300</b>
<b>Annual surplus (deficit)</b>	<b>(910)</b>	<b>1,891</b>	<b>2,807</b>
<b>Accumulated surplus, beginning of year</b>	<b>18,837</b>	<b>18,837</b>	<b>16,030</b>
<b>Accumulated surplus, end of year</b>	<b>17,927</b>	<b>20,728</b>	<b>18,837</b>

\*Canadian Securities Administrators

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



# Manitoba Financial Services Agency

## Statement of Change in Net Financial Assets *(in thousands)*

For the year ended March 31	2015 revised budget	2015 actual	2014 actual
<b>Annual surplus (deficit)</b>	\$ (910)	\$ 1,891	\$ 2,807
<b>Tangible capital assets</b>			
Acquisition of tangible capital assets	-	(116)	(11)
Amortization of tangible capital assets	10	18	7
<b>Net change in tangible capital assets</b>	<b>10</b>	<b>(98)</b>	<b>(4)</b>
<b>Other Non-financial assets</b>			
(Increase) decrease in prepaid expense	-	(3)	1
<b>Net acquisition of other non-financial assets</b>	<b>-</b>	<b>(3)</b>	<b>1</b>
<b>Increase (decrease) in net financial assets</b>	<b>(900)</b>	<b>1,790</b>	<b>2,804</b>
<b>Net financial assets, beginning of year</b>	<b>18,759</b>	<b>18,759</b>	<b>15,955</b>
<b>Net financial assets, end of year</b>	<b>\$ 17,859</b>	<b>\$ 20,549</b>	<b>\$ 18,759</b>

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

# Manitoba Financial Services Agency

## Statement of Cash Flows *(in thousands)*

For the year ended March 31	2015 actual	2014 actual
<b>Cash provided by (applied to):</b>		
<b>Cash Flows from Operating Activities</b>		
Annual surplus	\$ 1,891	\$ 2,807
Amortization of tangible capital assets	18	7
	<b>1,909</b>	<b>2,814</b>
Changes in non-cash working capital balances		
Accounts receivable	37	157
Prepaid expenses	(3)	1
Accounts payable and accrued liabilities	7	42
Accrued vacation entitlements	(28)	33
Accrued salaries and benefits	5	22
Deferred revenue	(15)	15
Employee future benefits	(51)	48
	<b>1,861</b>	<b>3,132</b>
<b>Cash Flows from Capital Activities</b>		
Acquisition of capital assets	(116)	(11)
<b>Increase in cash and cash equivalents</b>	<b>1,745</b>	<b>3,121</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>18,639</b>	<b>15,518</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 20,384</b>	<b>\$ 18,639</b>
<b>Supplementary information:</b>		
Interest received	\$ 172	\$ 159

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

# Manitoba Financial Services Agency

Notes to Financial Statements (in thousands)

For the year ended March 31, 2015

## 1. Nature of Organization

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

Treasury Board Secretariat issued a Program Portfolio Management Review (PPMR) Minute on September 22, 2012 which approved the transfer of the Financial Institutions Regulation Branch (FIRB) of the Department of Finance to the Manitoba Securities Commission a Special Operating Agency (SOA), effective October 1, 2012. Since that date, the SOA has been operating as the Manitoba Financial Services Agency ("Agency").

This change was subsequently reflected in Regulation 29/2013, which provides an updated listing of the special operating agencies, including the merger of Manitoba Securities Commission and FIRB. As well, it was reflected in the background to the Order in Council 77/2013.

## 2. Basis of Accounting

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

## 3. Significant Accounting Policies

### Revenue

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

### Expenses

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

### Financial Assets

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

### Liabilities

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

# Manitoba Financial Services Agency

Notes to Financial Statements (in thousands)

For the year ended March 31, 2015

## 3. Significant Accounting Policies (continued)

### 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.

## 4. Financial Instruments and Financial Risk Management

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

The Agency records its financial assets and liabilities at cost, which include cash and cash equivalents, accounts receivable and portfolio investments. The Agency also records its financial liabilities at cost, which include 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.

### Financial Risk Management Overview

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

# Manitoba Financial Services Agency

Notes to Financial Statements (in thousands)

For the year ended March 31, 2015

## 4. Financial Instruments and Financial Risk Management (continued)

### Credit Risk

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

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

	2015		2014
Cash and cash equivalents	\$ 20,384	\$	18,639
Accounts receivable	41		77
Portfolio investments	1,019		1,019
	<b>\$ 21,444</b>	\$	<b>19,735</b>

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

Accounts receivable: The Agency 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 Agency establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

Management has determined that no allowance for doubtful accounts is required as at March 31, 2015 (Nil in 2014).

### Liquidity Risk

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

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

### Market Risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Agency's income or the fair values of its financial instruments. The significant market risk the Agency 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 Agency is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

# Manitoba Financial Services Agency

Notes to Financial Statements (in thousands)

For the year ended March 31, 2015

## 5. Cash and Cash Equivalents

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

## 6. Accounts Receivable

	2015		2014
Accrued interest	\$ 19	\$	19
Trade	22		58
	<b>\$ 41</b>	\$	<b>77</b>

## 7. Employee Future Benefits

### Pension Benefits

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

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

Commencing April 1, 2001, the Agency was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2015 was \$207 (\$200 in 2014). Under this Agreement, the Agency has no further pension liability.

### Severance benefits

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

An actuarial report was completed for the severance pay liability as of March 31, 2014. The report provides a formula to update the liability on an annual basis. The special operating agencies' actuarially determined net liability for accounting purposes as at March 31, 2015 is \$400 (\$451 in 2014). The actuarial loss of \$47 based on actuarial reports is being amortized over the 15 year expected average remaining service life (EARSL) of the employee group.



# Manitoba Financial Services Agency

Notes to Financial Statements (in thousands)

For the year ended March 31, 2015

## 7. Employee Future Benefits (continued)

Significant long-term actuarial assumptions used in the March 31, 2014 valuation, and in the determination of the March 31, 2015 present value of the accrued severance benefit obligation were:

<b>Annual rate of return:</b>	
Inflation component	2.00 %
Real rate of return	4.00 %
	6.00 %
<b>Assumed salary increase rate:</b>	
Annual productivity increase	1.00 %
Annual general salary increase	2.75 %
	3.75 %

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

	2015	2014
Accrued benefit liability		
Balance, beginning of year	\$ 483	\$ 438
Actuarial loss	20	-
Benefits accrued	23	16
Interest on accrued benefits	30	29
Severance paid	(109)	-
	447	483
Less: unamortized actuarial losses	(47)	(32)
Severance benefit liability	\$ 400	\$ 451

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

	2015	2014
Interest on obligation	\$ 30	\$ 29
Current period benefit cost	23	16
Amortization of actuarial gain over EARSL	4	3
Total expense related to severance benefit	\$ 57	\$ 48

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

# Manitoba Financial Services Agency

Notes to Financial Statements (in thousands)

For the year ended March 31, 2015

## 8. Tangible Capital Assets

	2015			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Office equipment	\$ 42	\$ 19	\$ -	\$ 61
Furniture and fixtures	160	61	-	221
Leasehold improvements	41	33	-	74
Computer hardware	143	-	-	143
Computer software	866	3	-	869
	1,252	116	-	1,368
Accumulated Amortization				
Office equipment	40	3	-	43
Furniture and fixtures	153	7	-	160
Leasehold improvements	27	6	-	33
Computer hardware	141	1	-	142
Computer software	864	1	-	865
	1,225	18	-	1,243
Net book value	\$ 27	\$ 98	\$ -	\$ 125
				2014
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Office equipment	\$ 42	\$ -	\$ -	\$ 42
Furniture and fixtures	153	7	-	160
Leasehold improvements	41	-	-	41
Computer hardware	142	1	-	143
Computer software	863	3	-	866
	1,241	11	-	1,252
Accumulated Amortization				
Office equipment	40	-	-	40
Furniture and fixtures	152	1	-	153
Leasehold improvements	23	4	-	27
Computer hardware	140	1	-	141
Computer software	863	1	-	864
	1,218	7	-	1,225
Net book value	\$ 23	\$ 4	\$ -	\$ 27

# Manitoba Financial Services Agency

Notes to Financial Statements (in thousands)

For the year ended March 31, 2015

## 9. Designated Assets

Designated assets are distinct from restricted assets. Unlike restricted assets, the Agency or the Government can readily change its by-law or resolution and use the designated assets for another purpose if the need arises. The Agency has allocated \$1,019 (\$1,019 in 2014) of its portfolio investments as designated assets for the following purposes:

The Agency maintains separate deposits of \$750 (\$750 in 2014) 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 Agency has received \$269 (\$269 in 2014) of cash from the Province of Manitoba for the purpose of settling certain of its vacation and severance liabilities in the future. This amount is held in an interest bearing account until the cash is required to discharge the related liabilities. The principal of this note is re-invested annually and the interest is deposited in the Agency's trust account.

## 10. Commitments

The Agency 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, 2015 were \$437.

The Agency has entered into a lease agreement as of December 31, 2013 which includes rental of 207-400 St. Mary Avenue (FIRB occupancy) and the remainder of the 5th floor for the Manitoba Securities Commission, which expires April 30, 2026.

Minimum annual lease payments for these agreements total \$525 per year for each of the next five years.

## 11. 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 instalments. Total transfers for the current year were \$11,800 (\$10,300 in 2014). The Treasury Board has approved payments of \$11,800 for the year ended March 31, 2015.

## 12. Contingency

The Commission has been named as defendant in one complaint. At the time of preparation of these financial statements, the outcome of this complaint was indeterminable. The cost of a future settlement, if any, will be reflected as an expense in the year paid.

## 13. Working Capital Advances

These advances are provided to the Agency through the Special Operating Agencies Financing Authority pursuant to the Management Agreement. The Agency has an authorized line of working capital advance of \$500 which was unutilized at March 31, 2015 (\$500 in 2014).

The Agency incurred no interest charges during the year (Nil in 2014).



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## Auditor's Comments on Supplementary Financial Information

To the Special Operating Agency Financing Authority,

We have audited the financial statements of March 31, 2015 which comprise the statement of financial position as at March 31, 2015 and statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have issued a report thereon dated June 5, 2015 which contained an unmodified opinion on those financial statements. The audit was performed to form an opinion on the financial statements as a whole. The following supplementary schedules are presented for the purpose of additional analysis and are not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from the underlying accounting and other records used to prepare the financial statements.

The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing such supplementary information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves.

Chartered Accountants

Winnipeg, Manitoba  
June 5, 2015

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# Manitoba Financial Services Agency

## Schedule of Operating Income, The Manitoba Securities Commission (in thousands)

For the year ended March 31	2015 revised budget	2015 actual	2014 actual
<b>Revenue</b>			
Fees	\$ 15,247	\$ 16,854	\$ 16,356
Interest	100	172	161
Miscellaneous	-	1	2
	<b>15,347</b>	<b>17,027</b>	16,519
<b>Expenses</b>			
Amortization - capital assets	10	18	7
CSA initiatives*	91	65	69
Contract services	336	264	265
Education / Information initiatives	197	79	108
Miscellaneous	27	18	21
Office materials and supplies	107	61	100
Premises	438	376	271
Professional membership and dues	22	15	13
Professional services	74	126	94
Research resources	53	42	40
Salaries and benefits	3,557	2,962	3,059
Staff development and professional dues	15	11	12
Telecommunications	70	70	66
Travel	77	52	80
	<b>5,074</b>	<b>4,159</b>	4,205
<b>Annual operating surplus</b>	<b>\$ 10,273</b>	<b>\$ 12,868</b>	\$ 12,314

\*Canadian Securities Administrators

# Manitoba Financial Services Agency

## Schedule of Operating Income, Financial Institutions Regulation Branch (in thousands)

For the year ended March 31	2015 revised budget	2015 actual	2014 actual
<b>Revenue</b>			
Fees	\$ 1,653	\$ 1,700	\$ 1,600
<b>Expenses</b>			
Contract services	34	37	29
Miscellaneous	3	3	1
Office materials and supplies	13	14	7
Premises	67	82	69
Professional services	50	17	2
Research resources	1	1	2
Salaries and benefits	841	699	680
Staff development and professional dues	3	2	3
Telecommunications	11	13	11
Travel	13	9	3
	<b>1,036</b>	<b>877</b>	807
<b>Annual operating surplus</b>	<b>\$ 617</b>	<b>\$ 823</b>	\$ 793



# Agency statistics

## Manitoba Securities Commission, Securities Division statistics

	2014/15	2013/14	2012/13
<b>Registrations</b>			
Registrations under <i>The Securities Act</i>	20,367	20,012	19,743
Registrations under <i>The Commodity Futures Act</i>	411	421	450
<b>Filings processed</b>			
Prospectuses filed	684	705	729
Issuers included	3,982	4,000	3,972
Amendments and supplements	1,627	1,380	1,071
Rights offerings	12	6	10
<b>Private placement and exempt offerings</b>			
45-106F1 capital raising forms*	1,198	1,230	1,264
Offering memorandums	75	89	97
Private placements	0	0	0
<b>Exemptions and orders</b>			
Exemption orders	14	8	8
Investigation orders	3	0	0
Take-over bid orders	0	0	0
Insider reporting orders	0	0	0
Financial reporting orders	64	83	75
Cease trade orders**	67	96	63
Miscellaneous orders	54	93	60
<b>Hearing orders</b>			
Notices of Hearing issued	33	55	59
Statements of Allegations issued	7	4	0
Orders filed	8	8	9
Reciprocal orders issued	28	71	43
Settlement agreements completed	2	0	1
Decision documents published	3	1	4
Completed Provincial Court hearings	0	0	2
Pending Provincial Court hearings	1	1	1
Completed Queen's Bench hearings	3	1	0
Pending Queen's Bench hearings	0	0	1
<b>Complaints and inquiries</b>			
Investigation and enforcement inquiries	315	394	392
Investigation files opened	22	25	56

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

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

**Manitoba Securities Commission, Real Estate Division statistics**

	2014/15	2013/14	2012/13
<b>Registrations</b>			
Registrations under <i>The Real Estate Brokers Act</i>	2,370	2,812	2,616
Registrations under <i>The Mortgage Brokers Act</i>	358	418	414
<b>Education</b>			
Old phase pre-licensing education enrolments	91	726	862
New module pre-licensing education enrolments	958	147	0
Re-licensing education completions	2,207	2,186	2,248
<b>Financial filings and compliance audits</b>			
Registered broker reports reviewed	402	457	416
Final close-out reports reviewed	18	17	29
Brokers suspended for failure to file	2	0	0
<b>Investigations and enforcement</b>			
Formal complaints received	62	68	76
Complaints resulting in a warning or reprimand	11	6	6
Complaints resulting further action taken by MSC	5	2	2
<b>Interest earned on broker trust accounts</b> <i>thousands of dollars</i>			
Interest earned	190	-	-
Disbursements to MREA	190	-	-
<i>MREA encyclopedia revisions</i>	84	-	-
<i>Educational and broker course upgrades</i>	42	-	-
<i>Condominium course re-writing (New Act Feb 1/15)</i>	58	-	-
<i>Contingency allocation for educational courses</i>	6	-	-
Educational and broker course upgrades	190	-	-
Balance remaining after disbursement to MREA	NIL	-	-
<b>Unclaimed trust account funds</b>			
Balance forwarded at April 1, 2014	25	-	-
Received during the fiscal year	5	-	-
Sub-total	30	-	-
Disbursement to the Minister of Finance	5	-	-
Residual balance (minimum reserve)	25	-	-

**Financial Institutions Regulation Branch statistics**

	2014/15	2013/14	2013*
<b>Insurance sector</b>			
Special insurance broker licensees	5	4	4
Accident, baggage and miscellaneous licencees	670	683	688
Hail agent and adjuster licencees	241	240	248
Complaint files opened	58	58	36
Complaint files closed	51	68	33
Complaint files in progress	12	5	15
<b>Insurance Council of Manitoba</b>			
Examinations for agents, brokers and adjusters	697	669	153
<i>Pass rate</i>	69%	65%	63%
<i>Successful applicants</i>	484	433	96
Agent, broker and adjusters licences issued	13,294	12,363	1,147
Complaint files against agents, brokers, and adjusters opened	100	86	39
Complaint files against agents, brokers, and adjusters closed	104	99	27
<i>Presented to council for decision</i>	29	18	10
<i>Appealed decisions</i>	2	1	0
Complaint files against agents, brokers, and adjusters in progress	19	21	34
	2014/15	2013/14	2012/13
<b>Credit union sector</b>			
Credit unions in Manitoba	36	37	40
Caisse populaires in Manitoba	1	1	1
Combined assets	\$25.3 billion	\$23.9 billion	\$22.7 billion
Member deposits	\$23.5 billion	\$22.2 billion	\$21.2 billion
Member equity	\$1.6 billion	\$1.5 billion	\$1.4 billion
<b>Co-operatives sector</b>			
Co-operatives in Manitoba	348	355	363
<i>Housing co-operatives</i>	59	59	58
<i>Consumer co-operatives</i>	53	58	57
Active members	Over 500,000	Over 442,000	Over 442,000
	2014/15	2013/14	2013*
New incorporated co-operatives	13	6	11
Dissolved co-operatives	19	7	11
Revived co-operatives	0	0	2
Securities offering documents approved	2	1	2

\*For a six-month period ending March 31, 2013.

## Performance reporting and service standards

### Performance measurement

The MFSA's planning process is set out in three documents:

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

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

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

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

Qualitative measurements don't rely on concrete figures, but are still valid indicators of objectives that the MFSA has fulfilled. For example, the first stated goal under the internal perspective is "developing and maintaining a superior knowledge base." An action aimed at furthering this goal is preparing written procedure and policy manuals. Completing this action can be measured qualitatively, since availability of these manuals increases operational understanding and communication among staff. With qualitative measurements, the timely completion of an action is a measurement of how MFSA goals are being achieved.

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

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

### Service standards

Service standards in operation include reviewing applications and delivering decisions following administrative hearings, issuing comment letters for prospectus filings within Passport guidelines, and meeting the CSA's continuous disclosure review targets.

For hearings of five days or less, the MFSA will provide written reasons for decision within six weeks of the close of the hearing. Commission members, when assigned to panels, will endeavour to produce written decisions in a timely fashion for longer hearings, which depend upon the amount of evidence to be reviewed in rendering a decision.

When reviewing prospectuses as the principal regulator, staff ensures that all Passport standards for reviewing and commenting on preliminary, long form and short form prospectuses, as well as amendments, are met. This includes:

- » reviewing preliminary long form prospectuses and issuing a comment letter within 10 working days
- » reviewing preliminary short form or shelf prospectus and issuing a comment letter within three working days
- » reviewing amendments to preliminary long form prospectus and issuing comments within five working days
- » reviewing amendments to preliminary short form prospectus and issuing comments within two working days
- » reviewing final amendments to long form prospectus within three working days, or two days for short form prospectuses

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

## The Public Interest Disclosure (Whistleblower Protection) Act and sustainable development

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

Wrongdoing under the act may be:

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

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

A disclosure made by an employee in good faith in accordance with the act and with a reasonable belief that wrongdoing has been, or is about to be, committed is considered to be a disclosure under the act, whether or not the subject matter constitutes wrongdoing. All disclosures receive careful and thorough review to determine if action is required under the act, and must be reported in a department's annual report in accordance with Section 18 of the act.

The following is a summary of disclosures received by the MFSA for the fiscal year 2014/15.

### Information required annually (per Section 18 of The Act)

Fiscal Year 2014/15

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

### 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 MFSA remains committed to sustainable development.

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



## MFSA committees

### Securities Advisory Committee

This committee consults on regulatory matters and provides advice on new policy initiatives developed by the MSC. The committee is also called upon to advise how the MSC can best approach changes in the securities industry.

Tony Catanese  
*PwC LLP*

Dave Cheop  
*Investors Group*

Ron Coke  
*Taylor McCaffrey LLP*

Ken Cooper  
*formerly Winnipeg Stock Exchange*

Bruce Jack  
*Deloitte & Touche*

Tom Kormylo  
*Pitblado LLP*

Bruce Thompson  
*Thompson Dorfman Sweatman LLP (alternate)*

Linda Vincent  
*ICE Futures Canada*

### Real Estate Advisory Council

This council represents a non-statutory advisory body established by the MSC and the Manitoba Real Estate Association. Its mandate is to advise and make recommendations to the MSC and MREA on real estate issues, review mutually beneficial ideas and give advance notice of trends arising in the real estate industry.

Michael Barrett  
*Century 21 Westman*

Brian Collie  
*Manitoba Real Estate Association*

Claude Davis  
*Royal LePage Dynamic Real Estate*

Tom Fulton  
*RE/MAX Performance*

Robert Giesbrecht  
*Canadian Condominium Institute, Manitoba Chapter*

Terry Kirkham  
*Manitoba Securities Commission*

Mario Lopes  
*Professional Property Managers Association*

David Powell  
*Powell Property Group*

Ron Tardiff  
*Trinkl Realty Ltd.*

Robert L. Tyler  
*Manitoba Bar Association*

### Real Estate Advisory Committee

This committee reviews and recommends projects to the MSC to fund using the interest that the agency receives from real estate brokers' trust accounts.

Ray Brownlee  
*Century 21 Westman*

Cliff King  
*RE/MAX Executives Realty*

John Neufeld  
*Smith Neufeld Jodoin LLP*

Shirley Przybyl  
*Century 21 Bachman & Associates*

Ute Vann  
*Royal LePage Dynamic Real Estate*

### Deposit Guarantee Corporation of Manitoba

DGCM was created to guarantee the deposits of credit unions and caisses populaires and promote the development of sound financial practices that protect against financial loss. FIRB has oversight responsibility for DGCM and works closely with its management. A seven-person board of directors, appointed by the Lieutenant Governor in Council of Manitoba, oversees DCGM.

Bryan Rempel (acting Chair)

Paul Gilmore  
Monica Girouard

Charles Golfman  
John Klassen

Brian Mayes  
Dale Ward

### Insurance Council of Manitoba

ICM operates under the delegated authority of the Superintendent of Insurance to provide licensing and regulatory oversight of insurance agents, brokers and adjusters. Council members are appointed by the Minister of Finance.

#### *Life Insurance Council*

Nelson Hoe (Chair)  
Nancy Streuber (Vice-chair)

Paul Brett

Sonja Doran

Richard Fillion

Gary R. McPherson

Jim Wilson

#### *General Insurance Council*

Keith Jordan (Chair)

Jeffrey Coleman (Vice-chair)

Harvey Armstrong

Kristopher Moffat

Treena Piasta

Wendy Stumpf

Maurice Therrien

#### *Insurance Adjusters Council*

Grant Rerie (Chair)

Robert Filuk (Vice-chair)

Timothy Bromley

Mark James

David Lind

Shelley Werner

[mbsecurities.ca](http://mbsecurities.ca)  
[mbfinancialinstitutions.ca](http://mbfinancialinstitutions.ca)



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