

Manitoba Financial Services Agency

FIVE YEAR REFLECTION

2017
ANNUAL
REPORT





MINISTER OF
FINANCE

Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

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, 2017.

Respectfully submitted,

Original Signed by Cameron Friesen

Honourable Cameron Friesen
Minister



THE MANITOBA
SECURITIES
COMMISSION



FINANCIAL
INSTITUTIONS
REGULATION BRANCH

The Honourable Cameron Friesen
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, 2017.

Respectfully submitted,

Original Signed by Don Murray

Don Murray
Chief Administrative Officer
Manitoba Financial Services Agency



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Manitoba Financial Services Agency
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Financial Institutions Regulation Branch | 207-400 St. Mary Avenue
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TOLL FREE in MB: 1-800-655-5244

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

Manitoba Financial Services Agency

is a 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 comprised of

**The Manitoba
Securities Commission
and
Financial Institutions
Regulation Branch**

MESSAGE FROM THE CAO

Manitoba Financial Services Agency
Mr. Don Murray



Don Murray, CAO

Five Years.

The Manitoba Financial Services Agency (MFSA), is a Special Operating Agency (SOA) created in 2012 with the merger of the Manitoba Securities Commission (MSC) and the Financial Institutions Regulation Branch (FIRB). This is our fifth Annual Report.

The merger brought regulation of the majority of Manitoba's financial services industries into a single agency. The MFSA regulates the securities, real estate, insurance, co-operatives, credit union and trust industries in the province.

The aim of the merger was to develop synergies between these two divisions, MSC and FIRB, and to strengthen capabilities and the level of regulation. Over the last five years, the Agency has worked toward that goal starting with the relocation of FIRB to the same physical location

as the MSC, cross-training and sharing staff resources between the two divisions, and in bringing the divisions under shared systems, policies, and management.

While this was happening, the MSC and FIRB continued to be responsible for their ongoing regulatory duties and much of what has taken place in our individual functional areas over the last five years also merits some brief acknowledgement.

Compliance & Oversight

Over the past five years, Compliance & Oversight staff have worked with other Canadian securities regulators in developing a framework for the regulation of over-the-counter (OTC) derivatives in Canada. One of the factors in the financial

MESSAGE FROM THE CAO

crisis of 2008/09 was the lack of transparency in the OTC markets. In the reporting year, the efforts of Compliance & Oversight staff in this area have included assisting the Agency to enter into an agreement with a service provider to facilitate enhanced reporting to aid in the review and analysis of compliance with trade reporting requirements for OTC derivatives in Manitoba.

Corporate Finance

In the last five years, the Corporate Finance area of the MSC has worked with their colleagues in the Canadian Securities Administrators (CSA) to enhance the Passport system. Additional filings, including certain Cease Trade Orders and exemptive relief applications have now been brought into the Passport process, increasing regulatory efficiency in Manitoba and across the country.

In an effort to streamline the system, Corporate Finance staff worked with their colleagues across the country to streamline rules for Rights Offerings, which has resulted in the number of filings of Rights Offerings increasing in Manitoba by 275% in 2016/17.

Investigations

The Investigations area, in addition to maintaining and working a heavy caseload, has evolved since 2012 in bringing investigations in both the securities and real estate areas into a single unit operating with the same system and processes for greater efficiency. Also, a process was completed to allow Investor Alerts and Cautions to be issued in a more timely manner in order to better protect the public.

More recently, the investigative staff of the MSC was at the forefront of the efforts against Binary Options fraud and currently leads the CSA Binary Options Taskforce, whose efforts have garnered local, national, and international attention over the past year.

Legal

Since 2012, Legal staff have worked with other CSA jurisdictions in the improvement of the efficiency of Canada's capital markets and enhancing investor protection. Legal staff cooperated in the ongoing review of capital-raising exemptions including the implementation of the crowd funding rules in Manitoba and are currently involved in the efforts to develop the "regulatory sandbox" as set out in more detail in the body of this report.

Legal staff also continued, throughout this period, to protect markets and investors in Manitoba through their efforts in moving disciplinary matters from the investigation stage to the hearing stage.

Registration

Over the last five years, in addition to maintaining an active and expanding registry, Registration staff have worked diligently with their CSA counterparts to enhance the services provided to registrants and to assist in increasing the professionalism of the industry.

In addition to improvements to our systems, this includes providing guidance as to relevant management experience for advising

representatives, and for portfolio managers operating as online advisers, as well as providing updates to registrants concerning know-your-client, know-your-product, and suitability obligations.

Operations & Finance

Operations & Finance has traditionally performed all financial aspects of the MSC operations and the Deputy Director of Operations & Finance has and continues to be the Controller for the MFSA. Over the last five years, this department has evolved and while continuing to be responsible for all financial matters, has also assumed a significant role in the day to day management of the Agency that includes orienting new staff, developing and reporting on the MFSA Planning Document and internal policy development and adherence.

Operations & Finance has played the major part in overseeing the successful merger of MSC and FIRB.

Education & Communications

Over the last five years, the Education & Communications department has developed numerous programs designed to provide investors with information necessary to look after their own financial interests. These include *I'm Worth It*, and *Recognize Investment Fraud*.

Since 2012, the department has continued to help keep the MSC at the forefront of investor education and protection in the country.

As is set out in more detail in the body of

MESSAGE FROM THE CAO

the report, during the last year, Education & Communications staff have played a leadership role in the national campaign to inform and warn Canadians about Binary Options scams.

Real Estate

Since 2012, the Real Estate division has become a member of national regulatory bodies for both the real estate and mortgage industries. These organizations work to collaborate in order to improve governing standards in these industries. In the last couple of years, staff of the Real Estate division have worked to develop new legislation to govern the real estate industry in Manitoba, known as *The Real Estate Services Act*, which has been enacted. Regulations are close to being finalized.

Financial Institutions Regulation Branch

Over the last five years, staff at FIRB worked with colleagues in Manitoba and across Canada to harmonize provincial insurance regulations. Over the last two years, FIRB staff, in anticipation of the withdrawal of the Office of the Superintendent of Financial Institutions (OSFI) as the prudential regulator for Credit Union Central of Manitoba (CUCM), worked with CUCM, OSFI and other jurisdictions to develop a plan to assume prudential oversight. FIRB began to be responsible for prudential oversight of CUCM as of January, 2017. FIRB staff continues to work toward the continuation and improvement of OSFI's former oversight processes and have been working with legislative counsel to develop legislative and regulatory amendments necessary for these purposes.

MESSAGE FROM THE CAO

Acknowledgements

The MSC receives significant benefit from the members of its advisory groups, the Real Estate Advisory Council and the Real Estate Advisory Committee. As always, recognition must also be given to the part-time Commission members who apply their knowledge and expertise to the benefit of Manitoba's investors through policy making and sitting on panels in disciplinary hearings. In addition, I would like to thank the staffs of both the Deposit Guarantee Corporation of Manitoba (DGCM) and the Insurance Council of Manitoba (ICM). DGCM guarantees deposits of credit unions and caisses populaires. ICM provides regulatory oversight of insurance agents, brokers and adjusters. The MFSA

acknowledges the contribution of these organizations and is appreciative of their continued dedicated service.

Finally, it is appropriate to give thanks and acknowledgement to the professional and hardworking staff of the MFSA. Most of these dedicated and hardworking professionals and administrative staff can be seen in our team picture on page 16. Everyone who works at the MFSA contributes to maintaining the Agency's professionalism and allowing us to fulfill our public mandate.

We are all looking forward to the next five years.

Original Signed by Don Murray

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



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.

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.

FIRB

The mission of the Financial Institutions Regulation Branch 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.*

COMMISSION MEMBERS

COMMISSION MEMBERS



The Manitoba Securities Commission, a division of MFSA, was structured in its present form in 1968 as set out in *The Securities Act*. The Commission is divided into two branches; the administrative or functional arm which is made up of full-time employees who conduct the day-to-day operations; and the policy-making group made up of a maximum of seven Order in Council appointees who meet regularly (Commission Members).

Commission Members deal with policy formulation, applications seeking exemptive or other special relief, and perform a judicial

function in the hearing of disciplinary proceedings brought pursuant to the several Acts or for the determination of applications.

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



*Left to Right: Hon. R.D. Bell, Q.C. | Mr. Jim Hedley (Vice-Chair to Dec. 2016)
Ms. Donna Janovcik (Member to Oct. 2016) | Mr. Glenn Lillies (Member to Nov. 2016) |
Ms. Anna Maria Magnifico | Hon. J.T. (Jack) McJannet, Q.C. | Ms. Deborah J. Metcalfe, Vice-Chair
Mr. Don Murray, Chair | Ms. Cathy Rolland*

MFSA MANAGEMENT TEAM



Don Murray
MSC Chair and Chief Executive Officer
MFSA Chief Administrative 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. Mr. Murray also serves as CAO of the MFSA as a whole.



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, Real Estate Division

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.

MFSA MANAGEMENT TEAM



Jim Scalena
Superintendent, Financial Institutions Regulation Branch

FIRB regulates the operations of Credit Union Central of Manitoba and the Deposit Guarantee Corporation of Manitoba, as well as the province's credit unions and caisses populaires. The FIRB 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.



Sue Henderson
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.



Paula White
Deputy Director, Compliance and Oversight

The Compliance and Oversight area develops and administers the MSC's 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 of Canada, as well as exchanges, clearing agencies, trade repositories and alternative trading systems.

MFSA MANAGEMENT TEAM



Scott Moore
Deputy Superintendent, FIRB

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 preventions tax on behalf of the Office of the Fire Commissioner.



Ainsley Cunningham
Manager, Education and Communications

Education and Communications 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, helping Manitobans become more informed and aware investors.



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.

MFSA MANAGEMENT TEAM



Jason Roy
Senior Investigator, Investigations

The Investigations area conducts investigations and market surveillance by responding to securities, commodities, and real estate complaints. The area 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.



Marlene Nemes
Deputy Director, Operations and Controller

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.

Don Murray - CAO

THE MANITOBA SECURITIES COMMISSION

Don Murray - Chair and CEO | **Kelly Dryden** - Administrative Assistant

SECURITIES

Chris Besko - Director and General Counsel

LEGAL

Kimberly Laycock, Steve Gingera, Jennifer Faircloth, Sophia Mapara - *Legal Counsel*
Teresa Sigurdson - *Legal Assistant*

INVESTIGATIONS

Jason Roy - *Senior Investigator* | Len Terlinski, Manolo Mabini - *Investigators*
 Gerry Antaya - *Investigator, Real Estate* | Cathy Larsen - *Investigations Assistant & Evidence Coordinator*

COMPLIANCE & OVERSIGHT

Paula White - *Deputy Director* | Brad Woods, Angela Duong - *Compliance Auditors*
 Lorraine Hacault - *Compliance Clerk*

REGISTRATIONS

Sue Henderson - *Deputy Director*
 Wanda Cook, Terri Pettinger, Kristen Smyrski, Maryam Audu - *Registration Clerks*

FINANCE & ADMINISTRATION

Marlene Nemes - *Deputy Director* | Liz Klippenstein - *Programmer Analyst*
 Christina Norman - *Accounting Clerk* | Tiffany Malak - *Receptionist*

CORPORATE FINANCE

Wayne Bridgeman - *Deputy Director* | Patrick Weeks - *Corporate Finance Analyst*
 Shantel Lysak, Lisa Fulham - *Corporate Finance Clerks*

EDUCATION & COMMUNICATIONS

Ainsley Cunningham - *Manager* | Jason Booth - *Communications Coordinator*

REAL ESTATE

Terry Kirkham - *Registrar*

Keith Schinkel - *Deputy Registrar, Registrations* | **Allan Pamplona** - *Deputy Registrar, Compliance*
 Ashlee Nadeau - *Real Estate Clerk*

FINANCIAL INSTITUTIONS REGULATION BRANCH

Jim Scalena - *Superintendent*

Scott Moore - *Deputy Superintendent* | Christine Fisetto - *Insurance Officer*
 Bev Blakesley, Pat Anderson, Rosy Dizon - *Administrative Assistants*
 Djemal Halilagic, Kostas Katsiroubas, Ellen Mullally - *Financial Services Officers*



MFSA Team

MFSA is comprised 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. Staff are spread across numerous functional areas, including Registrations, Compliance and Oversight, Enforcement, Finance and Administration, Corporate Finance, and Education and Communications.

FIRB consists of the Superintendent and Deputy Superintendent, three financial services officers, a part-time insurance complaints officer and administrative support employees. The MFSA employs a combined **48.6 Full-Time Equivalent (FTE)** staff positions.

COMMITMENT TO SERVICE

Dedicated Staff

MFSA recognizes the following team members celebrating work anniversaries during the reporting year. Thank you for many years of exemplary service to the citizens of Manitoba!

Opposite page, left to right:

Jim Scalena – 15 years
Christina Norman – 5 years
Cathy Larsen – 35 years
Marlene Nemes – 15 years
Scott Moore - 20 years
Djemal Halilagic – 15 years

and

Lisa Fulham

(inset) who currently works on a half-time basis, has accumulated service of **15 years**.



Holiday Hampers

MFSA's contributions to the Christmas Cheer Board's Feed-A-Family Program helped make the holidays a little more merry for two Winnipeg families this year. Not one, but two large hampers containing food and gifts for the children were donated to local families.

Staff members Kristen Smyrski, Sue Henderson, and Jason Roy delivered the hampers on behalf

of the MFSA. Both families were very appreciative and thankful.

Thanks to Kristen for getting everyone motivated and organizing this inspiring act of kindness!

Helping at Harvest

In 2016, MFSA kicked-off the first ever **400 St. Mary Avenue Food Drive** to benefit Winnipeg Harvest.

With the kind support of building manager Morguard, employees of the 400 and 444 St. Mary office towers were encouraged to bring in non-perishable foods to help out the food bank during the often lean summer months.

The one-week food drive yielded 140 lbs of food to benefit local families in need.

The same week, 19 team members rolled up their sleeves and pitched in at Winnipeg Harvest's Community Garden, by pulling up weeds, planting vegetables and herbs, and watering the numerous above-ground planters behind the food bank's Notre Dame warehouse. Produce from the garden goes directly to the food bank's cafeteria and out to local soup kitchens throughout the summer.

MFSA staff also made a monetary donation to Harvest.



COMPLIANCE & OVERSIGHT

A Keen Eye on Manitoba Markets

Compliance and Oversight is responsible for monitoring registered Manitoba-headquartered firms for ongoing compliance with securities laws and regulation through audits, financial statement reviews and reviews of applications for registration. These firms include advisers, dealers, investment fund managers, and a combination thereof.

The department is also responsible for the oversight of self-regulatory organizations (SROs), clearing agencies, trade repositories and other entities involved in the securities and derivatives markets within Manitoba. Compliance and Oversight is also responsible for the oversight of the Canadian Public Accountability Board, an auditor oversight body.

As a primary regulator for ICE Futures Canada and ICE Clear Canada, Compliance and Oversight has responsibility for developing and implementing an ongoing compliance program for the exchange and clearinghouse.

The department continues to administer an effective compliance oversight program for directly regulated registrants – portfolio managers, investment fund managers and exempt market dealers. The goal is to enhance investor protection by ensuring compliance with Manitoba securities law, and to help registrants understand applicable initial and ongoing compliance requirements. Compliance and Oversight is also involved in various policy initiatives such as enhanced client disclosures, online advisers, cybersecurity, seniors issues, service arrangements, and work related to OTC derivatives.

In the past year, through the efforts of the department, the MSC entered into an agreement

with a service provider to facilitate enhanced reporting to aid in the review and analysis of compliance with trade reporting requirements of over the counter (OTC) derivatives in Canada.

Regulating the Regulators

An SRO is an entity organized for the purpose of regulating the operations and the standards of practice and business conduct of its members and their representatives with a view to promoting the protection of investors and the public interest. Two SROs currently recognized by MSC under *The Securities Act* are the Investment Industry Regulatory Organization of Canada (IIROC) and the Mutual Fund Dealers Association of Canada (MFDA).

The MFDA and IIROC are subject to the oversight of all the recognizing regulators (RRs) of the Canadian Securities Administrators (CSA). In order to ensure effective and efficient oversight of the SROs, the RRs have entered into Memorandums of Understanding (MOUs) for both organizations. The MOU formalizes cooperation among the RRs and sets out an agreed upon communication process with each SRO. The MOU also provides a comprehensive framework with respect to the coordination of oversight reviews and establishes uniform procedures related to the review and approval of rule changes.

Compliance staff actively participate in the oversight of MFDA and IIROC, which is important to Manitobans. IIROC has approximately 600 dealing representatives in our province, who do business primarily with retail investors. Manitoba is also home to the largest mutual fund dealer in Canada. Having a strong relationship with the SROs helps to ensure regional matters are addressed and the investing public is protected.

INVESTIGATIONS & ENFORCEMENT

Protecting Manitobans

The Investigations Department conducts investigations based on inquiries and complaints generated internally or received from the public, industry, and other regulators.

Investigations staff works closely with and assists the Legal team in preparing for hearings and court prosecutions. Investigations and Legal also work together to issue Investor Alerts and Cautions to warn the public about financial fraud trends or investment scams that have targeted Manitobans.

Binary Focus

In 2016/2017, MSC's Investigations team was at the forefront of the fight against Binary Options fraud, and currently leads the CSA Binary Options Task Force. MSC's efforts have garnered local, national, and international attention over the past year.

A headline from The Times of Israel website quotes MSC Senior Investigator Jason Roy. Israel is one of the primary centres for Binary Options fraud.

'I have yet to come across a single, legitimate binary options boiler room,' says Jason Roy

Canada calls on Israel to ban all binary options 'immediately'

'Every day that this continues to operate, there are more and more Canadian victims,' says head of new government task force. 'These companies are outright frauds'

BY SIMONA WEINGLASS | March 8, 2017, 4:30 pm |

April 1, 2016 to March 31, 2017

SECURITIES

General Investigation and Inquiries: 293
Formal Investigation Files: 24

REAL ESTATE

General Investigation and Inquiries: 115
Formal Investigation Files: 11

In the 1980s and 90s, an **Exhibit Ledger Sheet** was typically a single page. Today, they are 12 pages on average.



The first electronic **Court Brief** was created in 2008, with a file size of 160MB. Currently, the average file size of a brief is 500MB.

EDUCATION and COMMUNICATIONS

Education and Communications 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 education initiatives, media and corporate communications, and public relations, the team delivers relevant and timely information to help Manitobans become more informed and aware investors.

By hiring a new communications co-ordinator in 2016, we have been able to engage in the use of social media for Communications and Educations programming.

Through **@MSCommission**, MSC has promoted regional and national securities initiatives and issues, and taken part in Twitter chat sessions with the RCMP, the Competition Bureau, and the Canadian Anti-Fraud Centre as part of public discussion on financial literacy, fraud, and other topics.

Focus on Fraud

This year, many of The Commission's education initiatives focused on investment fraud—how to spot it, report it, and defend yourself against it.

Manitobans, like many Canadians, continued to report significant financial loss through dealings with unregistered, offshore Binary Options firms. MSC's efforts against this fraud garnered considerable local media attention, with over 35 stories in print, on radio, television, and online, including international coverage from Israeli media. This coverage contributes to MSC being seen as an authoritative source of Binary Options fraud information in Canada and internationally.

As such, MSC played a key role in the development of the CSA's Binary Options Task Force and the public relations and advertising campaign that stemmed from it. During Fraud Prevention Month, MSC coordinated national efforts to inform Canadians via traditional and online media, as well as the new binaryoptionsfraud.ca website.

EDUCATION and COMMUNICATIONS

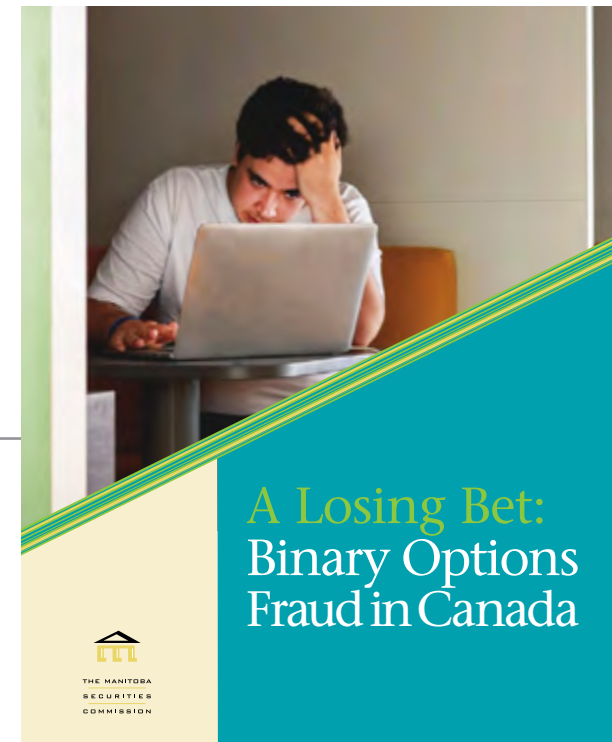
Locally, MSC distributed Binary Options fraud information to municipal police forces and RCMP offices across Manitoba. This information included *A Losing Bet: Binary Options Fraud in Canada*—a brochure the Commission assembled in early 2017. MSC investor education outreach in the province also included financial information seminars at community centres in Winnipeg, and in surrounding rural areas.

MSC also contributed time and resources to the CSA's Check Registration campaign and promotion of the National Registration Search (NRS) tool—both efforts to encourage investors to check the registration of their financial professionals in order to combat fraud.



MANITOBA FINANCIAL LITERACY FORUM

For seven years, MSC has been an active member and board-level supporter of The Manitoba Financial Literacy Forum (MFLF), a coalition of more than 30 organizations and individuals working to promote lifelong financial education and skills within the province. As part of the organization's new five-year plan, it introduced a new brand aesthetic, logo, and tagline this year—'Money Matters for Life.' MSC also assisted in production of MFLF's annual *Money Matters* calendar, a complimentary give-away featuring everyday financial tips and resources.



MSC produced A Losing Bet in January 2017 as part of efforts to improve awareness of Binary Options fraud in Manitoba.

@MSCommission

Created: October 2014

Followers: 455

Tweets per week: 10-15

Impressions per day: 1,100+

Highest single-day impressions: 108K

**For the fiscal year 2016/2017*



FIRB provides regulatory oversight to the insurance sector, trust and loan companies, credit unions and caisses populaires and cooperatives operating in Manitoba. FIRB is responsible for administering *The Insurance Act*, *The Credit Unions and Caisses Populaires Act*, *The Cooperatives Act*, and Part XXIV of *The Corporations Act*.

FIRB staff oversee:

1. Review and approval of corporate legal documents for credit unions, caisses populaires and cooperatives.
2. Maintenance of a legal registry for credit unions, caisses populaires, cooperatives, and insurance companies.
3. Mediation of disputes between consumers, agents, adjusters and insurance companies; as well as member disputes with their credit union, caisse populaire or cooperative.
4. Authorization of trust and loan companies to operate in Manitoba.

Insurance

All insurers operating in Manitoba are licensed through FIRB. The Department is responsible for insurance policy and recommendations for legislative changes; licenses for Special Insurance Brokers that place unlicensed insurance; and the collection of tax under the regulations of *The Fires Prevention and Emergency Response Act* on behalf of the Office

of the Fire Commissioner. FIRB also works with other provincial regulators in an effort to increase harmonization between jurisdictions.

Licensing and disciplining of insurance agents, brokers and independent adjusters (as well as any related complaint investigation and resolution) is delegated to the Insurance Council of Manitoba.

Credit Unions & Caisses Populaires

FIRB reviews policy and legislation for credit unions and caisses populaires in the province, and has direct oversight over Credit Union Central of Manitoba (CUCM), the trade association for credit unions and manager of the system's liquidity. In addition, FIRB regulates the Deposit Guarantee Corporation of Manitoba, which provides a guarantee for member deposits and provides prudential oversight of individual credit unions and caisses populaires. FIRB also approves credit unions securities offerings.

Co-ops

In the cooperative sector, FIRB assists in the incorporation of cooperatives and provides guidance on the requirements of the *The Cooperatives Act*; provides model by-laws for cooperatives to use; and reviews securities offerings subject to exemption order from *The Securities Act*. FIRB also acts as a public registry for the sector, reviewing and approving articles of incorporation.

New Directives

Effective January 2017, FIRB assumed the sole responsibility for the prudential supervision of the CUCM. This new responsibility involves the establishment of a risk-based approach to oversee the Central; participation in inter-provincial forums for credit union regulators; greater coordination within the credit union sector to ensure predictable and stable liquidity; and, the engagement of stakeholders to review and recommend changes to *The Credit Union and Caisses Populaires Act* and Regulation.

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Credit Unions in Manitoba

and 1 Caisse Populaire

THERE ARE

341
Co-operatives
in
Manitoba



16,533 Insurance Agent, Broker, and Adjuster Licenses were issued in the reporting year.

That's one every 30 minutes.

Manitoba Credit Unions hold combined total assets of **\$28.6 billion.**

REGISTRATION

MSC's Registrations Department has primary responsibility for the maintenance and operation of the Registration functions under *The Securities Act, The Commodity Futures Act, Registration Rules, and The National Registration Database Rules.*

Registrations also reviews individual applications filed under *National Instrument 31-103 (Passport)*. Individual applications filed under passport, where Manitoba is the principal regulator, initiates a full review of the individual applications; reviews categories of registration filed with the non-principal regulators; liaises with firms and the non-principal regulators regarding deficiencies relating to applications; and approves individual registrations.

The Manitoba Securities Commission participated and chaired the CSA Registrant Regulation Committee (RRC) along with the MFDA and IIROC which implemented the following activities in 2016:

1. RRC helped coordinate the publication of proposed rule amendments, which included:
 - a) proposed amendments to NI 31-103 and the companion policy to clarify the scope of activities an EMD was permitted to engage in. These amendments are proposed to be included with other amendments being proposed to NI 31-103;
 - b) proposed amendments to NI 31-103 and the companion policy improving and clarifying rules related to registrant custody practices in custodial arrangements;

- c) proposed amendments to NI 31-103 and the companion policy concerning CRM2;
- d) proposed housekeeping amendments to NI 31-103 and NI 33-109.

2. Published guidance concerning dealers relying on the international dealer exemption in foreign fixed income securities in CSA Staff Notice 31-346 *Regulatory Concerns Over a Perceived Reduction in Liquidity in Canadian Fixed Income Markets – Guidance as to the Scope of the International Dealer Exemption in NI 31-103.*
3. Monitored and discussed various operational issues that arise, including system changes to NRD, the review process involving acquisition notices filed in connection with the acquisition of registrants or their assets, IIROC guidance on home offices, IIROC guidance on order execution only activities, registration of firms trading in Forex, registration of online lending firms operating through internet based platforms, and registration processes for online advisory platforms.
4. RRC consulted with the project group in connection with the development and publication of CSA Staff Notice 31-347 *Guidance for Portfolio Managers for Service Arrangements with IIROC Dealer Members;*
5. RRC has worked jointly with the CSA Compliance Committee on various matters, including regulation of Portfolio Managers (PMs) and IIROC dealer service arrangements (including account statement requirements), custodial issues, and providing interpretative support to that committee.

NRD Enhancement

Effective Friday August 19, 2016, the MSC introduced an NRD productivity enhancement that automatically accepts a Notice of Termination and Update/Correct Termination Information submitted by registered firms in Manitoba. This change will allow for more efficient processing and will help ensure the public record provides accurate information on an individual's registration status.

Though these submissions will be automatically accepted on NRD, The Manitoba Securities Commission will continue to review them. There has been no change in the obligation for firms, under *National Instrument 33-109 Registration Information (NI 33-109)*, to provide accurate and complete information and to submit the filings within the time periods prescribed.

Investing Online

The CSA is registering more online advisers, sometimes called "robo-advisers," who provide discretionary investment management services at a low cost to everyday investors through an interactive website.

Online advisers can now refer to *CSA Staff Notice 31-342, Guidance for Portfolio Managers Regarding Online Advice.*

*The Manitoba Securities Commission / MFSA
office at 500 - 400 St. Mary Ave.*

OPERATIONS and FINANCE

Ensuring Smooth Sailing

Operations and Finance is responsible for the implementation of Internal Policy, Travel Policy, the Business Continuity Plan and Comptrollership Plan. Operations maintains and updates the organizational Planning Document, manages and controls MFSA resources, and oversees the processing of legal forms (such as NI 45-106).

Operations and Finance is also responsible for MFSA's Financial reporting, budgeting, and overall expenditure management.

The department also has general oversight of the day-to-day administrative functions, reception, and website / IT development.



Scrutiny and Trust

MSC’s Real Estate division administers *The Real Estate Brokers Act* and *Mortgage Brokers Act* in a manner that ensures registrants operate in accordance with the prescribed legislation and regulation with a strong emphasis on a mandate to protect the public.

The Real Estate division receives and reviews applications from individuals as well different business models requesting entrance into the real estate and mortgage broker registration categories offered.

The division implements procedures that ensures all broker registrants are meeting the prescribed compliance requirements applicable to the control and management of Trust monies through annual as well as periodic spot audit reviews of the related business books and records.

New Legislation, New Partners

The development of a new *Real Estate Services Act* (RESA) has received third-reading from the government and will replace the existing *Real Estate Brokers Act*. New regulations will also form part of the modernization of the legislation and will serve as the new governance structure for the real estate industry.

Manitoba has become one of a number of provincial members that have joined forces to form both real estate and mortgage broker national regulator bodies; the Real Estate

Regulators of Canada (RERC) and the Mortgage Broker Regulators’ Council of Canada (MBRCC).

Higher Standards

Provincial and national representatives meet regularly to share information that helps improve governance standards for the public and members of the industry.

These meetings have resulted in the development of an online national disciplinary data base system that allows industry members and the public, to search the names of any mortgage broker registrants for disciplinary information.

Additionally, initiatives for enhancing the educational standards for new and existing real estate and mortgage broker registrants were reviewed and are at various stages of advancement, while a number of initiatives are completed and have been included in the enhanced learning models.

Collaborative Action

MSC’s Real Estate division maintains a strong relationship with Manitoba industry boards as well as other jurisdictions nationally. These boards work collaboratively to enhance expectations for delivery of educational and industry standards. Efforts to build higher industry standards further strengthen our public protection mandate.

BROKER TRUST ACCOUNTS

Every real estate broker in Manitoba must maintain an interest-bearing trust account at a branch of a bank, credit union or trust company in Manitoba. The accrued interest not claimed by clients is payable to The Manitoba Securities Commission

MSC uses this interest to fund grants for education and best-practice initiatives for the Real Estate industry, as well as housing-focused charitable initiatives.

In the reporting year, interest earned on Broker Trust Accounts amounted to \$172,000.

Funds were distributed to the following in 2017:

Actuarial Study

– Review of the Real Estate Reimbursement Fund Regulation \$43

Interprovincial Education Communities of Practice 21

Project Management Courses

– Blended Learning Model Approach 43

Implementation of Learning Management System 43

Housing Opportunity Partnership 7

Habitat for Humanity 15

Total \$172,000

Broker Trust Account fund distribution figures for 2014/15 and 2015/16 are summarized on the following page.

BROKER TRUST ACCOUNTS (continued)

Funds were distributed to the following in 2015/16:

RESA Information Seminars	\$40
Property Management Courses	58
Real Estate Practice in Manitoba Update	35
Real Estate Forms	30
Real Property Law Course Update	10
Commercial Course Update	26
Housing Opportunity Partnership	10
Total	\$153,000

Funds were distributed to the following in 2014/15:

MREA Encyclopedia Revisions	\$84
Educational and Broker Course Upgrades	42
Condominium Course Re-Writing (New Act Feb 1/15)	58
Contingency Allocation for Educational Courses	6
Total	\$190,000

Guidance and Action

The Legal department has continued to provide ongoing support to all areas of the MFSA including legal support to developing policy rules and legislation to enhance investor protection, fair and efficient capital markets, and capital formation.

Legal staff have been involved with CSA members in the review of capital raising exemptions, implementing the Client Relationship Model: Phase 2 (CRM2) revisions to enhance the client relationship for investors, and in the development of new targeted reforms to registration requirements that will promote greater investor protections.

In the areas of capital formation and technology driven changes to financial markets, the Legal department has been actively engaged with CSA colleagues as part of the CSA Regulatory Sandbox, which is looking at new business models and technologies that are changing the financial markets and their impacts on regulation

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



In 2017:
There were **2,433** Real Estate Agents registered under
The Real Estate Brokers Act.

As well as **381** Mortgage Brokers registered under
The Mortgage Brokers Act.

Insight and Analysis

The Corporate Finance division has six central responsibilities: the review and analysis of prospectuses, continuous disclosure filings, and exemptive relief applications; the polling of filings from the System for Electronic Document Analysis and Retrieval (SEDAR) database; the daily preparation and publishing of the Reporting Issuer List; and participation in regulatory committees with respect to policy development or national review initiatives.

Exemptions and Cease Trade Orders

Effective December 8, 2015, the Rights Offering prospectus exemption was changed to make Rights Offerings more attractive to reporting issuers by reducing the associated time and cost. The number of Rights Offerings filed almost tripled during the reporting year.

Effective June 23, 2016, exemptive relief applications to cease to be a reporting issuer are processed under the Passport System. As a result, staff no longer need to prepare a local order and request approval at a Commission meeting. Over 50 such orders were issued during the year ended March 31, 2017.

Effective June 23, 2016, a failure-to-file cease trade order issued by an issuer's Principal Regulator is automatically in force in other jurisdictions. As a result, staff no longer need to prepare a local cease trade order.

Effective June 30, 2016, the Report of Exempt Distribution was harmonized across the CSA and updated to include information to facilitate more effective regulatory oversight of the exempt market.

Information Systems

Effective May 24, 2016, the electronic filing of exempt market filings (such as the Report of Exempt Distribution and the Offering Memorandum) became mandatory. Over 80% of the Reports of Exempt Distribution filed during the year ended March 31, 2017 were filed electronically and over 90% for Offering Memorandums.

The daily publication of the Reporting Issuer List by 11:00 a.m. continues to be an important service to local law firms.

Corporate Finance staff are participating in the CSA initiative to develop a new national system that would replace SEDAR, SEDI and CTO Database with an integrated information system.

Policy Development

Effective March 8, 2017, the use of a standardized risk classification methodology by fund managers of conventional mutual funds and ETFs became mandatory. A standardized risk classification methodology will provide for greater transparency and consistency than currently available, which will allow investors to more readily compare the investment risk levels of different funds.

Effective March 8, 2017, the use of a summary disclosure document for exchange-traded funds (ETF Facts) became mandatory. The introduction of the ETF Facts will help provide investors with access to key information about an ETF, in language they can easily understand. Delivery of the ETF Facts to investors will also help improve the consistency with which disclosure

is provided to investors of ETFs and help create a more consistent disclosure framework between conventional mutual funds and ETFs.

Corporate Finance staff are participating in a number of CSA initiatives intended to improve the investing landscape in Canada for industry professionals and investors alike.

These initiatives include:

- Reviewing requirements and disclosures related to women on boards and in executive officer positions, along with the completion of issue-oriented reviews for 12 Manitoba reporting issuers.
- Reviewing requirements and disclosure related to climate change, along with the completion of issue-oriented reviews for two Manitoba reporting issuers.
- Considering the option of discontinuing embedded commissions paid by mutual fund managers to dealers and their representatives.
- Considering the regulatory burden of investment fund and non-investment fund reporting issuers.
- Developing a more comprehensive regulatory framework for publicly offered mutual funds that wish to invest in asset classes or use investment strategies not otherwise permitted under *National Instrument 81-102 Investment Funds*.

Filings processed during fiscal year 2017 include:

Prospectuses:	658
Issuers Included in Prospectuses:	4,155
Prospectus Amendments and Supplements:	2,358
Issuers Included in Amendments and Supplements:	4,575
Rights Offerings:	22

See page 60 for figures on the last three reporting years.

MANAGEMENT'S DISCUSSION & ANALYSIS

for the year ended March 31, 2017

Financial Discussion

The following is a discussion and analysis for the operating results of Manitoba Financial Services Agency (MFSA) for the year ended March 31, 2017. It should be read in conjunction with the Agency'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.

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

Operation Results

Net Income

Net income for the year ended March 31, 2017 was \$3.7 million, an increase over the prior year by \$1.2 million. Revenues of \$20.9 million exceeded budget by \$2.9 million. Expenses of \$5.4 million came in under budget by \$814,000. The net result was net income exceeded budgeted net income by \$3.7 million.

Revenue

The Agency exceeded its revenue targets by \$2.9 million or 16% because of increased market activity. This year's revenue totaled \$20.9 million, as compared to last year's total of \$19.4 million. See table below for details.

(in thousands)	2017	% of total	2016	% of total	2017 % increase/ decrease from 2016
Corporate finance fees	\$12,496	60%	\$11,319	58%	10%
Registration fees	5,799	28%	5,627	29%	3%
Legal fees	106	-	92	-	15%
Real estate fees	532	3%	510	3%	4%
Investment income	114	-	117	1%	(3)%
Miscellaneous income	28	-	15	-	87%
FIRB fees	1,827	9%	1,738	9%	5%
	\$20,902	100%	\$19,418	100%	7.6%

Management's Discussion and Analysis

Revenue (continued)

Corporate finance fees and registration fees accounted for 88% of the Agency's 2017 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 advisers, dealers and representatives. FIRB fees consist of Insurance fees, Coop/Credit Union Regulation Fees and Trust and Loan Fees.

Expenses

Overall, total expenses for fiscal year 2017 were \$5.4 million, a 4.9% increase over fiscal year 2016 (\$5.2 million). See table below for details.

(in thousands)	2017	% of total	2016	% of total	2017 % increase/ decrease from 2016
Salaries and benefits	\$3,806	71%	\$3,756	73%	1.3%
Operating expenses*	1,575	29%	1,372	27%	14.8%
Amortization	27	-	27	-	-
	\$5,408	100%	\$5,155	100%	4.9%

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

Total expenses were \$814,000 (15%) below budget. Variances in salaries and benefits and operating expenses are explained below.

Salaries and Benefits

Overall, salaries and benefits increased by 1.3% or \$50,000 over the previous year. For the fiscal year ending March 31, 2017, salaries and benefits were 13% below budget due to six vacancies and the impact of the Voluntary Reduced Work Week program.

Operating Expenses

Operating expenses for the fiscal year were 14.8% higher than last year and were under budget by \$270,000 or 15% primarily due to:

- CSA Initiatives – under budget by \$30,000 due to lower than expected expenditures for national initiatives.
- Contract Services – under budget by \$76,000 due to lower than expected internet development costs, information systems costs and government records storage costs.

Management's Discussion and Analysis

Operating Expenses (continued)

- Education Initiatives – under budget by \$151,000 due to timing of initiatives.
- Office Materials and Supplies – under budget by \$21,000 due to lower than expected printing costs.
- Research Resources – under budget by \$12,000 due to less than expected library research resource costs.
- Staff Development & Professional Dues – under budget by \$80,000 due to lower than expected membership fees.
- Travel – under budget by \$29,000 due to the timing of office travel.
- Miscellaneous – under budget by \$15,000 due to lower than expected meeting costs.
- Professional Services – over budget by \$144,000 due to higher than expected consulting fees.

Capital Expenditures

Capital expenditures for the 2016-2017 fiscal year were Nil. Capital expenditures are financed by funds provided through operations.

Liabilities

Accrued liabilities were \$33,000 for the year ending March 31, 2017. This balance represents accrued vendor obligations. Accrued vacation and severance liabilities were \$302,000 and \$500,000 respectively as at March 31, 2017 (March 31, 2016 - \$301,000 and \$454,000). Accrued salaries and benefits were Nil for the year ending March 31, 2017 compared to \$227,000 at March 31, 2016. Public Sector Accounting Standards require the recognition of a liability for sick pay benefit obligations that accumulate but do not vest. The Agency has not recorded an accrued sick pay benefit obligation as it has been determined to be immaterial.

Transfer of Funds to the Province of Manitoba

The Agency made the required quarterly payments to the Province of Manitoba totaling \$11.8 million and an additional payment of \$5 million. The payment amount is calculated annually and is included in the Agency's business plan as a transfer to the Province of Manitoba in the Statement of Operations and Accumulated Surplus.

Management's Discussion and Analysis

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

The Agency had cash and cash equivalents of \$21.5 million as of March 31, 2017 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 Commission became a Special Operating Agency.

As at March 31, 2017 the Agency 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 Agency the flexibility to access these funds when needed.

2017/18 Outlook

For the fiscal year ending March 31, 2018, the Agency has budgeted revenue of \$18.6 million and budgeted expenses of \$5.9 million. Transfers to the Province of Manitoba for the fiscal year 2017-18 are set at \$12 million with an additional payment of \$5 million in the first quarter of the fiscal year.

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

Management's Discussion and Analysis

Information Technology

As of March 31, 2017, the Agency had the following internal systems in place:

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

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

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

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

MANITOBA FINANCIAL SERVICES AGENCY

FINANCIAL STATEMENTS

for the year ended March 31, 2017

- 40. Management's Responsibility for Financial Reporting
- 41. Independent Auditor's Report
- 43. Financial Statements
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- 56. Supplementary Information to the Financial Statements (unaudited)



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

Original Signed by Don Murray

Don Murray
CAO, MFSA
Chair and CEO, MSC

May 31, 2017

Original Signed by Marlene Nemes

Marlene Nemes, CPA, CMA
Deputy Director,
Operations and Controller



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BDO Canada LLP/s.r.l./S.E.N.C.R.L.
700 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

Independent Auditor's Report

To The Special Operating Agencies 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, 2017, 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,

Independent Auditor's Report (continued)

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, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matter

We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the schedules or exhibits on pages 56 - 57 of the MANITOBA FINANCIAL SERVICES AGENCY's financial statements.

BDO Canada LLP

Chartered Professional Accountants

Winnipeg, Manitoba
May 31, 2017

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

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Manitoba Financial Services Agency

Statement of Financial Position (in thousands)

March 31	2017	2016
Financial Assets		
Cash and cash equivalents (Note 5)	\$21,506	\$23,058
Accounts receivable (Note 6)	71	26
Portfolio investments	1,019	1,019
	22,596	24,103
Liabilities		
Accounts payable and accrued liabilities	33	194
Accrued vacation entitlements	302	301
Accrued salaries and benefits	-	227
Employee future benefits (Note 7)	500	454
	835	1,176
Net financial assets	21,761	22,927
Non-financial Assets		
Tangible capital assets (Note 8)	72	98
Prepaid expenses	52	166
	124	264
Accumulated surplus	\$21,885	\$23,191

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	2017 Budget	2017 Actual	2016 Actual
Revenue			
Fees	\$17,983	\$20,760	\$19,286
Interest	55	114	117
Miscellaneous	12	28	15
	18,050	20,902	19,418
Expenses			
Amortization - capital assets	22	27	27
CSA initiatives*	101	71	71
Contract services	354	278	246
Education / Information initiatives	196	45	73
Miscellaneous	40	25	26
Office materials and supplies	90	69	65
Premises	541	547	536
Professional services	159	303	120
Research resources	58	46	54
Salaries and benefits	4,355	3,806	3,756
Staff development and professional dues	110	30	41
Telecommunications	83	77	77
Travel	113	84	63
	6,222	5,408	5,155
Annual operating surplus	11,828	15,494	14,263
Transfer to Province of Manitoba (Note 11)	11,800	11,800	11,800
Annual surplus	28	3,694	2,463
Accumulated surplus, beginning of year	19,745	23,191	20,728
Additional Transfer to			
the Province of Manitoba (Note 11)	5,000	5,000	-
Accumulated surplus, end of year	\$14,773	\$21,885	\$23,191

*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	2017 Budget	2017 Actual	2016 Actual
Annual surplus	\$28	\$3,694	\$2,463
Tangible Capital Assets			
Amortization of tangible capital assets	22	27	27
Net change in tangible capital assets	22	27	27
Other Non-financial Assets			
Increase in prepaid expense	-	113	(112)
Net acquisition of other non-financial assets	-	113	(112)
Increase in net financial assets	50	3,834	2,378
Net financial assets, beginning of year	22,927	22,927	20,549
Additional transfer to the Province of Manitoba	(5,000)	(5,000)	-
Net financial assets, end of year	\$17,977	\$21,761	\$22,927

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	2017	2016
Cash provided by (applied to):		
Cash Flows from Operating Activities		
Annual surplus	\$3,694	\$2,463
Amortization of tangible capital assets	27	27
	3,721	2,490
Changes in non-cash working capital balances		
Accounts receivable	(45)	15
Prepaid expenses	113	(112)
Accounts payable and accrued liabilities	(161)	97
Accrued vacation entitlements	1	(5)
Accrued salaries and benefits	(227)	135
Employee future benefits	46	54
	3,448	2,674
Cash Flows from Financing Activities		
Transfer to Province of Manitoba	(5,000)	-
Increase (decrease) in cash and cash equivalents	(1,552)	2,674
Cash and cash equivalents, beginning of year	23,058	20,384
Cash and cash equivalents, end of year	\$21,506	\$23,058
Supplementary Information		
Interest received	\$113	\$120

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, 2017

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.

Manitoba Financial Services Agency

Notes to Financial Statements (in thousands) for the year ended March 31, 2017

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.

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 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.

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:

	2017	2016
Cash and cash equivalents	\$21,506	\$23,058
Accounts receivable	71	26
Portfolio investments	1,019	1,019
	\$22,596	\$24,103

4. Financial Instruments and Financial Risk Management (continued)

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, 2017 (Nil in 2016).

Liquidity Risk

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

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

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, 2017

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

	2017	2016
Accrued interest	\$16	\$16
Trade	55	10
	<u>\$71</u>	<u>\$26</u>

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 2017 was \$216 (\$222 in 2016). 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

Manitoba Financial Services Agency

Notes to Financial Statements (in thousands) for the year ended March 31, 2017

7. Employee Future Benefits (continued)

operating agencies' actuarially determined net liability for accounting purposes as at March 31, 2017 is \$500 (\$454 in 2016). The actuarial loss of \$39 based on actuarial reports is being amortized over the 15 year expected average remaining service life (EARSL) of the employee group.

Significant long-term actuarial assumptions used in the March 31, 2014 valuation, and in the determination of the March 31, 2017 present value of the accrued severance benefit obligation were:

Annual rate of return:

Inflation component	2.00 %
Real rate of return	4.00 %
	<u>6.00 %</u>

Assumed salary increase rate:

Annual productivity increase	1.00 %
Annual general salary increase	2.75 %
	<u>3.75 %</u>

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

	2017	2016
Accrued benefit liability		
Balance, beginning of year	\$497	\$447
Benefits accrued	26	23
Interest on accrued benefits	30	27
Severance paid	(14)	-
Balance, end of year	539	497
Less unamortized actuarial losses	(39)	(43)
Severance benefit liability	<u>\$500</u>	<u>\$454</u>

Manitoba Financial Services Agency

Notes to Financial Statements (in thousands) for the year ended March 31, 2017

7. Employee Future Benefits (continued)

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

	2017	2016
Interest on obligation	\$30	\$27
Current period benefit cost	26	23
Amortization of actuarial losses over EARSL	4	4
Total expense related to severance benefit	\$60	\$54

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.

8. Tangible Capital Assets

	2017			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Office equipment	\$61	\$ -	\$ -	\$61
Furniture and fixtures	221	-	-	221
Leasehold improvements	74	-	-	74
Computer hardware	143	-	-	143
Computer software	869	-	-	869
	1,368	-	-	1,368
Accumulated Amortization				
Office equipment	47	4	-	51
Furniture and fixtures	174	14	-	188
Leasehold improvements	40	7	-	47
Computer hardware	143	-	-	143
Computer software	866	1	-	867
	1,270	26	-	1,296
Net book value	\$98	\$(26)	\$ -	\$72

Manitoba Financial Services Agency

Notes to Financial Statements (in thousands) for the year ended March 31, 2017

8. Tangible Capital Assets (continued)

	2016			
	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Office equipment	\$61	\$ -	\$ -	\$61
Furniture and fixtures	221	-	-	221
Leasehold improvements	74	-	-	74
Computer hardware	143	-	-	143
Computer software	869	-	-	869
	1,368	-	-	1,368
Accumulated Amortization				
Office equipment	43	4	-	47
Furniture and fixtures	160	14	-	174
Leasehold improvements	33	7	-	40
Computer hardware	142	1	-	143
Computer software	865	1	-	866
	1,243	27	-	1,270
Net book value	\$125	\$(27)	\$ -	\$98

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 2016) of its portfolio investments as designated assets for the following purposes:

The Agency maintains separate deposits of \$750 (\$750 in 2016) 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 2016) 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.

Manitoba Financial Services Agency

Notes to Financial Statements (in thousands) for the year ended March 31, 2017

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.

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 \$547 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 installments. Total transfers for the current year were \$16,800 (\$11,800 in 2016). The Treasury Board has approved payments of \$16,800 for the year ended March 31, 2017.

12. 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, 2017 (\$500 in 2016).

The Agency incurred no interest charges during the year (Nil in 2016).

Manitoba Financial Services Agency

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

For the year ended March 31	2017 Budget	2017 Actual	2016 Actual
Revenue			
Fees	\$16,160	\$18,933	\$17,548
Interest	55	114	117
Miscellaneous	-	2	1
	16,215	19,049	17,666
Expenses			
Amortization - capital assets	22	27	27
CSA initiatives*	101	71	71
Contract services	316	243	215
Education / Information initiatives	196	45	70
Miscellaneous	38	21	23
Office materials and supplies	80	57	57
Premises	406	443	442
Professional membership and dues	76	20	23
Professional services	120	152	51
Research resources	57	45	52
Salaries and benefits	3,502	3,080	3,060
Staff development and professional dues	25	8	16
Telecommunications	71	66	65
Travel	102	75	61
	5,112	4,353	4,233
Annual operating surplus	\$11,103	\$14,696	\$13,433

*Canadian Securities Administrators

Manitoba Financial Services Agency

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

For the year ended March 31	2017 Budget	2017 Actual	2016 Actual
Revenue			
Fees	\$1,823	\$1,827	\$1,738
Miscellaneous	12	26	14
	1,835	1,853	1,752
Expenses			
Contract services	38	35	31
Miscellaneous	2	4	3
Office materials and supplies	10	12	12
Premises	135	104	94
Professional services	39	151	69
Research resources	1	1	1
Salaries and benefits	853	726	696
Staff development and professional dues	9	2	2
Telecommunications	12	11	12
Travel	11	9	2
	1,110	1,055	922
Annual operating surplus	\$725	\$798	\$830



Manitoba Financial Services Agency

AGENCY STATISTICS

for the year ended March 31, 2017

SECURITIES STATISTICS

	2016/17	2015/16	2014/15
Registrations			
Registrations Under <i>The Securities Act</i>	21,079	20,659	20,367
Registrations Under <i>The Commodity Futures Act</i>	368	449	411
Filings Processed			
Prospectuses Filed	658	593	684
Issuers Included in Prospectuses	4,155	4,027	3,982
Amendments and Supplements	2,358	1,927	1,615
Rights Offerings	22	8	12
Private Placement and Exempt Offerings			
45-106F1 Capital Raising Forms*	1,499	1,174	1,198
Offering Memorandums	84	67	75
Private Placements	0	0	0
Exemptions and Orders			
Exemption Orders	11	12	14
Investigation Orders	2	4	3
Take-Over Bid Orders	-	1	0
Insider Reporting Orders	-	0	0
Financial Reporting Orders	21	76	64
Cease Trade Orders**	56	113	67
Miscellaneous Orders	62	73	54
Hearing Orders			
Notices of Hearing Issued	16	57	33
Statements of Allegations Issued	4	0	7
Orders Filed	2	72	8
Reciprocal Orders Filed	29	67	28
Settlement Agreements Completed	0	0	2
Decision Documents Published	2	4	3
Completed Provincial Court Hearings	0	1	0
Pending Provincial Court Hearings	1	1	1
Completed Queen's Bench Hearings	0	0	3
Pending Queen's Bench Hearings	0	0	0
Complaints and Inquiries			
General Investigation and Enforcement Inquiries	293	248	315
Formal Investigation Files Opened	24	29	2

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

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

REAL ESTATE STATISTICS

	2016/17	2015/16	2014/15
Registrations			
Registrations Under <i>The Real Estate Brokers Act</i>	2,433	2,341	2,370
Registrations Under <i>The Mortgage Brokers Act</i>	381	398	358
Education			
Old Phase Pre-Licensing Education Enrolments	0	190	91
New Module Pre-Licensing Education Enrolments	325	777	958
Re-Licensing Education Completions	2,288	2,250	2,207
Financial Filings and Compliance Audits			
Registered Broker Reports Reviewed	415	414	402
Final Close-Out Reports Reviewed	19	19	18
Brokers Suspended for Failure to File	4	0	2
Investigations and Enforcement			
General Investigations and Inquiries*	115	-	-
Formal Investigations*	11	13	62
Complaints Resulting in a Warning or Reprimand	6	7	11
Complaints Resulting in Further Action by MSC	3	2	5
Interest Earned on Broker Trust Accounts (In Thousands)			
Interest Earned	172	168	190
Total Disbursements to MREA**	172	153	190
Funds Held in Trust by MREA	0	56	-
Disbursement to the Minister of Finance	0	(15)	5
Balance Remaining After Disbursement to MREA	0	0	0
Unclaimed Trust Account Funds (In Thousands)			
Balance Forwarded at April 1, 2016	25	25	25
Received During the Fiscal Year	7	18	5
Sub-Total	32	43	30
Disbursement to the Minister of Finance	7	(18)	5
Residual Balance (Minimum Reserve)	25	25	25

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

**See page 28, *Real Estate*, for the list of individual disbursements to MREA.

FIRB STATISTICS

	2016/17	2015/16	2014/15
Insurance Sector			
Special Insurance Broker Licencees	8	9	5
Accident, Baggage and Miscellaneous Licensees	0*	0*	670
Hail Agent and Adjuster Licensees	0*	0*	241
Complaint Files Opened	40	40	58
Complaint Files Closed	38	36	51
Complaint Files in Progress	25	16	12
Insurance Council of Manitoba			
Examinations for Agents, Brokers, and Adjusters	1,553	1,012	697
Pass Rate	73%	63%	69%
Successful Applications	1,135	642	484
Agent, Broker, and Adjuster Licences Issued	16,533	15,675	13,294
Complaint Files Against Agents, Brokers, Adjusters Opened	148	126	100
Complaint Files Against Agents, Brokers, Adjusters Closed	109	117	104
Presented to Council for Decision	16	16	29
Appealed Decisions	0	0	2
Complaint Files Against Agents, Brokers, Adjusters in Progress	65	26	19
Credit Union Sector			
Credit Unions in Manitoba	34	34	36
Caisses Populaires in Manitoba	1	1	1
Combined Assets (Billions)	\$28.6	\$27.3	\$25.3
Member Deposits (Billions)	\$26.3	\$25.2	\$23.5
Member Equity (Billions)	\$1.8	\$1.7	\$1.6
Co-operatives Sector			
Co-operatives in Manitoba	341	348	348
Housing Co-operatives	60	60	59
Consumer Co-operatives	52	53	53
Active Members(Thousands)	570+	525+	500+
New Incorporated Co-operatives	6	11	13
Dissolved Co-operatives	13	14	19
Revived Co-operatives	0	3	0
Securities Offering Documents Approved	3	2	2

*Effective June 1, 2015 the licensing of Accident and Baggage Agents, Hail Agents and Adjusters was transferred to the Insurance Council of Manitoba.

PERFORMANCE REPORTING and SERVICE STANDARDS

Performance Measurement

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

- 1. 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.**
- 2. A multi-year Strategic Plan that notes the main challenges to the organization and maps out strategies to respond.**
- 3. An annual Business Plan that establishes the year's roadmap for implementing the strategic plan and developing the MFSA's operational budget.**

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

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

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

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

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

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

Service Standards

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

MFSA service standards include the general development and delivery of programs and resources for public and investment industry use. This also includes responding to media and requests from the public, government, and industry for communications and educational information within 24 to 48 hours (depending on the nature of the request or inquiry).

MSC service standards include reviewing applications for exemptive relief from legislative requirements within six weeks. With respect to administrative hearings, the

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

CSA service standards include issuing comment letters for prospectus filings within Passport guidelines. When reviewing prospectuses as the principal regulator, staff ensures all Passport guidelines for reviewing and commenting on prospectuses, as well as amendments to prospectuses, are met.

In an effort to uphold these service standards, the MFSA has worked to include staff from all divisions and areas on local and national committees.

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.

Operating in an office environment, the MFSA practices recycling and procures a variety of recycled items, including paper products, batteries, and other office materials.

The MFSA maintains a continuous and balanced sustainable development process.

The MFSA remains committed to sustainable development.



PUBLIC INTEREST DISCLOSURE ACT

Whistleblower Protection

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 2016/17. (Information required annual, as per Section 18 of the Act)

Number of disclosures received, and the number acted on and not acted on.
(Subsection 18(2)(a)) -- **NIL**

Number of investigations commenced as a result of a disclosure.
(Subsection 18(2)(b)) -- **NIL**

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

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

MFSA COMMITTEES and REGULATORY BODIES

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.

Claude Davis (Chair)
Royal LePage Dynamic Real Estate

Michael Barrett
Century 21 Westman

Tom Fulton
RE/MAX Performance

Robert Giesbrecht
Canadian Condominium Institute, Manitoba Chapter

Terry Kirkham
The Manitoba Securities Commission

David Powell
Powell Property Group

Ron Tardiff
Trinkl Realty Ltd.

Robert L. Tyler
Manitoba Bar Association

David Salvatore
Manitoba Real Estate Association

Frank Koch-Shulte
Professional Property Managers 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 (Chair)
Century 21 Westman

Cliff King
RE/MAX Executives Realty

John Neufeld
Public Member

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 legislative 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 DGCM.

Bryan Rempel (Chair)
Paul Gilmore (Vice-Chair)

Chuck Golfman
Dale Ward
Monica Girouard
Brian Mayes
Robert Jones

MFSA COMMITTEES and REGULATORY BODIES

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

Richard Fillion (Chair)
Sonja Doran (Vice-chair)
Gary R. McPherson
Bonnie Siemens
Robert Cole
Carol-Ann Borody-Siemens
Paul Brett (Past-Member)
Jim Wilson (Past-Member)
Nancy Streuber (Past-Member)

General Insurance Council

Jeffrey Coleman (Chair)
Kristopher Moffat (Vice-chair)
Treena Piasta
Wendy Stumpf
Harvey Armstrong
Maurice Therrien
Pamela Pyke
Peter Tessier
Keith Jordan (Past-Member)

Insurance Adjusters Council

Grant Rerie (Chair)
Robert Filuk (Vice-chair)
Timothy Bromley
Mark James
David Lind
Michelle Smith

MFSA STATUTES

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

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

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

The Real Estate Brokers Act, C.C.S.M. c.R20

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

The Insurance Act, C.C.S.M. c. I40

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

The Cooperatives Act, C.C.S.M. c. C223

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





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THE MANITOBA
SECURITIES
COMMISSION



FINANCIAL
INSTITUTIONS
REGULATION BRANCH

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